
Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Report No. 04-13
December 2004



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds are existing funds meet legislative criteria.
7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.
9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



THE AUDITOR STATE OF HAWAII

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OVERVIEW

Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii

Report No. 04-13, December 2004

Summary

Section 23-12, Hawaii Revised Statutes, requires the State Auditor to review all existing revolving and trust funds every five years. The review is to include a five-year financial summary for each fund or account, an evaluation of the original intent and purpose of each fund or account, and determine the degree to which each fund or account achieves its stated and claimed purpose. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our third review of the revolving and trust funds and trust accounts of these three departments.

Revolving funds are often established with an appropriation of seed money from the general fund. Revolving funds must demonstrate the capacity to be self-sustaining. Activities financed by revolving funds include loan programs that are initially established by general fund seed moneys and then replenished through the repayment of loans. *Trust funds* invoke a fiduciary responsibility of state government to care for and use the assets held for the benefit of those with a vested interest in the assets. A pension fund is an example of a trust fund. *Trust accounts* are typically separate holding or clearing accounts for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

Of the 92 funds and accounts we reviewed this year, 60 were revolving funds, 16 were trust funds, and 16 were trust accounts. We used criteria developed by the Legislature as well as criteria developed by our office from a review of public finance and accounting literature. These funds must continue to serve the purpose for which they were created and not require continuing general fund appropriations. In addition, a revolving fund must reflect a linkage between benefits sought and charges made upon users and also be an appropriate financial mechanism for the program or operation. A trust fund must also meet the statutory definition of a trust fund. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued.

Responses

We transmitted a draft of this review to the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii.

The Department of the Attorney General disagrees with our conclusion that the Criminal Forfeiture Revolving Fund does not meet all four criteria of a revolving fund. The department stated that the program is funded by criminal forfeitures, which really are charges assessed on the criminals, who are the “users” of the criminal justice system. However, as previously stated by our office, in maintaining that crime reduction and deterrence are the benefit of this fund, the department disregards the direct linkage



requirement—that those who pay into a revolving fund should benefit from that fund. In this case, the criminals whose property is seized receive no benefits from this program.

The department also provided additional information regarding the Antitrust Trust Fund, but did not disagree with our conclusion that it is improperly classified as a trust fund.

The Department of Business, Economic Development, and Tourism disagrees with our conclusion that the Hawaii Strategic Development Corporation Revolving Fund does not meet all four criteria of a revolving fund because it has not demonstrated financial self-sustainability. The department stated the definition of a revolving fund does not constrain the self-sustainability requirement of a revolving fund to an annual basis, as our conclusion implies. The department further explains that loans or investments made under this program can take ten years or longer to repay and, as such, “revolve” over a longer period of time, but nonetheless are self-sustaining. We agree wholeheartedly that the definition of a revolving fund does not specify any timeframe, annual basis or otherwise, when determining self-sustainability. However, it does require a revolving fund to be self-sustaining. As stated in our report, we do not disagree that this fund could demonstrate self-sustainability if and when these longer term loans or investments do provide returns, but the fact remains that this fund had not achieved self-sustainability during the period covered by this report.

The department further stated that while our report cited transfers into this fund from the Hawaii Capital Loan Program as support for our conclusion of a lack of self-sustainability, the definition of a revolving fund does, in fact, allow for transfers from other funds or accounts. We agree that the definition of a revolving fund does allow for transfers to be received from other funds or accounts, however, the direct linkage criteria would still apply, meaning the Hawaii Capital Loan Program would have to be a direct beneficiary of the Hawaii Strategic Development Corporation Revolving Fund. On the contrary, all moneys received by this fund, regardless of source, are used to support private organizations or individuals. Finally, the department stated that the auditor failed to recognize or ignored the fact that \$2,000,000 was received as a return on investment in FY2000 and that this distribution clearly fits the parameters of a revolving fund and could have supported operations for many subsequent years had it not been re-invested. This return on investment is, in fact, reflected in our report and included in the total revenues of \$2,006,000 reported for FY2000. Additionally, this amount would not be sufficient to cover many subsequent years of operations considering the fund’s reported expenditures during FY2000 through FY2003 totaled \$12,323,000.

The department also provided additional information regarding the Hawaii Community-Based Economic Development Revolving Fund, but did not disagree with our conclusion that it does not meet all the criteria of a revolving fund.

The University of Hawaii did not disagree with any of our findings. The university did submit a detail of the corrective actions it plans to take in response to our findings. We have reviewed these corrective actions and they appear to be appropriate.

A point of clarification provided by the Department of Business, Economic Development, and Tourism was incorporated into our report.

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Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 04-13
December 2004

Foreword

This is a report of our review of revolving funds, trust funds, and trust accounts used by or administratively attached to the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii.

Section 23-12, Hawaii Revised Statutes, requires the State Auditor to review all existing revolving and trust funds every five years. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our third review of the revolving and trust funds, and trust accounts of these three departments.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This report reviews the 92 revolving funds, trust funds, and trust accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii. Section 23-12, Hawaii Revised Statutes (HRS), requires the State Auditor to perform reviews of each revolving and trust fund scheduled so that the funds administered by each state department will be reviewed once every five years. This is our third review of the revolving and trust funds of these three departments pursuant to Section 23-12, HRS. The first report, conducted in 1994 (Report No. 94-19), reviewed 49 revolving funds, trust funds, and trust accounts. The second report, conducted in 2000 (Report No. 00-07), reviewed 82 trust funds, revolving funds, and trust accounts.

Background

In 1990, the Legislature, through Act 240, Session Laws of Hawaii (SLH), required our office to conduct a review of all special and revolving funds and to recommend whether they be continued, modified, or repealed. The Legislature was concerned that the proliferation of these types of funds had diverted resources from the general fund and, as a result, weakened the Legislature's control over public moneys. Moneys deposited into and spent from special and revolving funds are not subject to the same level of legislative scrutiny as those in the general fund.

The review of special and revolving funds required by Act 240, SLH 1990, was completed through five separate reports issued in 1991 and 1992. We reviewed 166 special and revolving funds, recommending that 70 be repealed, discontinued, or allowed to sunset. We also found that many funds held cash balances far in excess of program needs and recommended that unneeded cash be transferred to the general fund. The reports were updated in July 2001, through Report No. 01-12, which found that 71 special and revolving funds had been repealed or discontinued. However, a majority (106 of 166) of the funds previously reviewed were still in existence as of July 1, 1999.

Section 23-12, HRS, expands the concept of Act 240, SLH 1990, by requiring our office to review each revolving or trust fund at least once every five years. The section specifies that the review is to include, but not be limited to:

1. An evaluation of the original intent and purpose of each fund, both as expressed by the Legislature and as understood by the expending agency;
2. An assessment of the degree to which each fund achieves its stated and claimed purposes;
3. An evaluation of the fund's performance standards established by the agency; and
4. A summary statement reflecting total fund transactions in the preceding five fiscal years, including the fund balance at the beginning of each fiscal year, total deposits and withdrawals, amount of interest earned, total expenditures made from the fund, and the ending fund balance for each fiscal year.

Description of Revolving Funds, Trust Funds, and Trust Accounts

Revolving Funds

Section 37-62, HRS, defines a revolving fund as

a fund from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.

Revolving funds are often established with an appropriation of seed money from the general fund. Activities commonly financed through revolving funds include loan programs, which are initially established by general fund seed moneys then replenished through the repayment of loans. The State Motor Pool Revolving Fund is an example of a revolving fund. It purchases and maintains the State's fleet of motor vehicles and is replenished by charges to state agencies for use of the vehicles.

Trust Funds

Section 37-62, HRS, defines a trust fund as

a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.

Trust funds invoke a fiduciary responsibility requiring state government to care for and use assets only for those meant to benefit from the funds. A pension fund is an example of a trust fund. Contributions and payments into the fund are held for the beneficiaries of the pension fund. Another example is tenants' security deposits, which are held in trust for the future benefit of tenants and landlords. Until forfeited or returned, deposits are the property of the tenants and should be accounted for accordingly.

Trust Accounts

The Department of Accounting and General Services defines a trust account as a separate holding or clearing account for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

Criteria for Reviewing Revolving Funds, Trust Funds, and Trust Accounts

The criteria we used to review revolving funds are similar to those we have used in past reviews. They are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;
- Reflects a clear link between the benefit sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support which is removed from the normal budget and appropriations process;
- Demonstrates the capacity to be financially self-sustaining; and
- Is an appropriate financing mechanism for the program or operation.

The first and second criteria were taken from Act 240, SLH 1990. Our office developed the third and fourth criteria from a review of public finance literature.

The criteria used to review trust funds are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;
- Provides the benefits or services originally intended to the beneficiaries;
- Does not require general fund appropriations; and

- Meets the definition of a trust fund.

The first two criteria were derived from the initial objectives of Section 23-12, HRS, asking for (1) an evaluation of the original intent of each fund, and (2) the degree to which each fund achieves its stated purpose. The third criterion assesses whether the fund depends upon general fund appropriations. If general fund appropriations are needed to finance its activities (as opposed to providing seed moneys only), classification as a trust fund may not be warranted. The fourth criterion assesses whether the fund is held by the State for the benefit of those with a vested interest in the assets.

Similar criteria are used for the review of trust accounts. These are the extent to which each account:

- Continues to serve the purpose for which it was originally created; and
- Does not require general fund appropriations.

We also reviewed any performance standards established by each agency for its funds and accounts.

Objectives of the Review

1. Identify and review all revolving funds, trust funds, and trust accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii.
2. For each revolving fund, trust fund, and trust account, determine the original intent and purpose of the fund or account, both pursuant to statute and as understood by the agency, and determine the degree to which the fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards established by the agencies, where applicable.
4. Provide a five-year (FY2000-FY2004), unaudited financial summary for each fund or account reviewed.

Scope and Methodology

This review examines those revolving funds, trust funds, and trust accounts administered by the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii during the five-year period under review.

We researched statutes, session laws, legislative history, and other supporting documents to determine each fund or account's intent and purpose. We also reviewed any performance standards reported by the agencies and other documents as appropriate. However, we found that a majority of the funds and accounts did not have any performance standards.

To gain an understanding of fund operations, we obtained information from key fiscal and program personnel. In reviewing each fund or account, we applied the criteria previously defined in this chapter.

We also note that ending balances for FY1998-99 shown in our Report No. 00-07's financial summaries were estimates provided by the departments and may not correspond to beginning balances for FY1999-2000 presented in the financial summaries in this report. Transfers are reported as a net amount for each respective year.

Our work was performed from April 2004 through September 2004 in accordance with generally accepted government auditing standards, except that we did not audit the agencies' financial data, and it is provided only for informational purposes.

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Chapter 2

Department of the Attorney General

This chapter presents the results of our review of eight revolving funds, four trust funds, and seven trust accounts used by the Department of the Attorney General. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first those funds established by statutory authority followed by those accounts established under administrative authority in alphabetical order.

Funds Established Under Statutory Authority

Advanced Health Care Directive Revolving Fund, Section 846-28(b), HRS

Financial Data for Fiscal Years 2001–2004 (in thousands)

	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues	6	0	0	0
Interest	0	0	0	0
Expenditures	6	0	0	0
Transfers	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0

This fund was implemented in FY 2001 with an appropriation of \$6,000 provided by the Legislature to fund a one-time expenditure for software changes to the state identification system. The system enables display of “Advance Health Care Directive” on the state identification card. The Hawaii Criminal Justice Data Center is responsible for the issuance of state identification cards, and issues over 50,000 cards annually. This fund was used as a one-time holding account and is therefore not appropriately classified as a revolving fund. The fund does not have a direct benefit linkage and is not financially self-sustaining. The fund should therefore be repealed.

Antitrust Trust Fund, Section 28-13, HRS

Financial Data for Fiscal Years 2001–2004 (in thousands)

	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$150	\$150	\$172	\$234
Revenues	0	92	83	4
Interest	0	0	8	5
Expenditures	0	(35)	(5)	(7)
Transfers*	0	(35)	(24)	(3)
Ending Fund Balance	\$150	\$172	\$234	\$233
Encumbrances	0	0	0	0

*Transfers were made to the State's general fund and represent distributions of judgment or settlement proceeds and reimbursements of expenditures.

This trust fund was established in 2001 for expenditures relating to the enforcement of antitrust laws, such as expenditures to facilitate participation in multi-state antitrust initiatives, related training, related equipment purchases, and the acquisition of related educational resources. This fund was initially funded by \$150,000 of general fund appropriations. Revenues include legislative appropriations and deposits of not more than 10 percent of any antitrust judgment or settlement received by the State. The fund continues to serve its original purpose and intended beneficiaries. However, since the fund was established with general fund appropriations and is replenished by antitrust judgment or settlement deposits, it is inappropriately classified as a trust fund.

**Child Abuse Record Checks for Child-Care Providers
Revolving Fund, Act 201, SLH 2001**

Financial Data for Fiscal Year 2002 (in thousands)

	FY2002
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This fund was established by Act 201, SLH 2001, to account for fees deposited for national criminal history record checks conducted by the Federal Bureau of Investigation. A \$24 fee is charged for each national criminal history record check. This fund was never utilized because of

the difficulty in determining the number of national criminal history record checks conducted. Fees for all national criminal history record checks are currently deposited into the Criminal History Record Improvement Revolving Fund then paid to the Federal Bureau of Investigation. This fund was discontinued on June 30, 2002.

Child Support Enforcement Trust Fund, Section 576D-10, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$2,422	\$10,584	\$14,710	\$15,268	\$11,429
Revenues	95,065	97,609	101,605	102,886	109,388
Interest	0	0	0	0	0
Expenditures	(86,903)	(93,483)	(101,047)	(106,725)	(112,068)
Transfers	0	0	0	0	0
Ending Fund Balance	\$10,584	\$14,710	\$15,268	\$11,429	\$8,749
Encumbrances	0	0	0	0	0

This trust account was established in 1986 to deposit and disburse court ordered child support payments. Revenues are derived from the collection of support payments. Beneficiaries of this account are the children and families in Hawaii serviced by the department. This fund continues to serve the purpose for which it was originally created. The fund is financially self-sustaining and an appropriate means of financing.

Criminal Forfeiture Revolving Fund, Section 712A-16(4), HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$141	\$204	\$114	\$98	\$236
Revenues	803	735	1,052	905	987
Interest	5	9	9	5	5
Expenditures	(509)	(476)	(578)	(403)	(490)
Transfers*	(236)	(358)	(499)	(369)	(261)
Ending Fund Balance	\$204	\$114	\$98	\$236	\$477
Encumbrances	0	0	0	0	0

*Transfers were made to the seizing agency for property seized and the prosecuting agency that prosecuted the forfeiture.

Created in 1988, this fund is used to pay for (1) expenses necessary to seize, detain, appraise, inventory, safeguard, maintain, advertise, or sell forfeited property and to reimburse federal, state, and county agencies for expenditures made to perform these functions; (2) awards for

information leading to civil or criminal proceedings; (3) supplemental funds to state and county agencies for law enforcement purposes; (4) expenses in connection with training programs for law enforcement officers; and (5) expenses in connection with enforcement of the drug nuisance abatement unit.

We previously reviewed this fund in Report Nos. 92-11, 94-19, 95-22, 00-07, and 01-12. In each report we determined that the fund continued to serve the purpose for which it was created. The fund accounts for one-half of the proceeds of cash and property forfeited due to criminally related activity. The fund is financially self-sustaining since it does not require general fund appropriations. However, we have repeatedly determined that there is no clear, direct linkage between the benefit sought and charges made upon the users or beneficiaries of the program. As previously noted, this fund does not meet the four established criteria for a revolving fund.

Criminal History Record Check Revolving Fund, Act 151, SLH 2001

Financial Data for Fiscal Year 2002 (in thousands)

FY2002	
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$0
Encumbrances	0

This fund was established by Act 151, SLH 2001, to deposit fees for national criminal history record checks performed by the Federal Bureau of Investigation. A \$24 fee is charged for each national criminal history record check. The fund was never utilized because the Department of Health did not complete the administrative rules before the fund lapsed on June 30, 2002.

Criminal History Record Improvement Revolving Fund, Section 846-10.6, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$435	\$559	\$718	\$611	\$576
Revenues	639	721	702	964	976
Interest	15	38	28	24	15
Expenditures	(530)	(600)	(837)	(1,023)	(839)
Transfers	0	0	0	0	0
Ending Fund Balance	\$559	\$718	\$611	\$576	\$728
Encumbrances	1	148	562	370	403

This fund was established in 1995 to improve the criminal history record information system by collecting fees from criminal history record checks, fingerprint-based searches, expungement of arrest records, and certification of documents. Beneficiaries of the fund include agencies that access and use criminal history information for purposes such as background checks on child care providers, school teachers, child protective services, parks and recreation workers, and prospective employees. The fund continues to serve its statutorily created purpose and does not require general fund appropriations. A clear link exists between the benefits sought and charges made upon users. The fund meets all criteria of a revolving fund.

Federal Community Restitution, Federal Title II

Financial Data for Fiscal Years 2001-2004 (in thousands)

	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$12	\$12	\$14
Revenues	12	0	2	2
Interest	0	0	0	0
Expenditures	0	0	0	(1)
Transfers	0	0	0	0
Ending Fund Balance	\$12	\$12	\$14	\$15
Encumbrances	0	0	0	0

This trust fund was established in 2001 for the receipt of restitution funds, as defined by the Antiterrorism and Effective Death Penalty Act of 1996, S. 735, Sec. 205-206 (PL 104-132). Funds are received when federal courts collect restitution from drug cases where there is no identifiable victim. The State receives 65 percent of the total restitution amount. The department intends to use these funds to restore communities victimized by drug crimes and to prevent further drug

crimes. Once victim assistance programs are established, this trust fund will serve its original purpose by providing assistance to affected communities. The fund is an appropriate means of financing.

Hawaii Criminal Justice Commission Trust Account, Section 28-10.6(a)(5), HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$7	\$29	\$16	\$3	\$4
Revenues	39	23	19	25	6
Interest	0	0	0	0	0
Expenditures	(17)	(36)	(32)	(24)	(4)
Transfers	0	0	0	0	0
Ending Fund Balance	\$29	\$16	\$3	\$4	\$6
Encumbrances	0	0	0	0	0

This trust account was established in 1985 for deposits of financial grants and donations for crime research, training, prevention, and education activities undertaken by the Hawaii Criminal Justice Commission. Revenues include foundation grants, donations, and registration fees for training workshops and seminars sponsored by the Crime Prevention and Justice Assistance Division. Program activities include the McGruff Crime Prevention Campaign, the production of video documentaries relating to the criminal justice system and crime prevention, the production of a workplace violence prevention manual, and the Kupuna ID project (intended to provide an emergency contact identification card for adults 65 years or older). This trust account serves the purpose for which it was created, requires no general fund appropriations, and is thus an appropriate means of financing.

License Home and Community-Based Case Management Revolving Fund, Act 273, SLH 2001

Financial Data for Fiscal Years 2002-2003 (in thousands)

	FY2002	FY2003
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

This fund was established by Act 273, SLH 2001, to account for fees deposited for national criminal history record checks conducted by the Federal Bureau of Investigation. A \$24 fee is charged for each national criminal history record check. The fund was never utilized because of the difficulty in determining the number of national criminal history record checks conducted. However, fees for all national criminal history record checks are currently deposited into the Criminal History Record Improvement Revolving Fund then paid to the Federal Bureau of Investigation. The fund was discontinued on June 30, 2003.

Litigation Deposits Trust Fund, Section 28-16, HRS

Financial Data for Fiscal Years 2003-2004 (in thousands)

	FY2003	FY2004
Beginning Fund Balance	\$0	\$19
Revenues	19	3,408
Interest	0	23
Expenditures	0	(540)
Transfers	0	0
Ending Fund Balance	\$19	\$2,910
Encumbrances	0	0

Established by Act 178, SLH 2002, this trust fund is used to account for civil action settlements of \$100,000 or more in which the State is a party, except for those actions involving departments able to procure their own legal services and where no other state statute or court order specifically provides for the deposit of moneys. Funds are used for attorneys' fees and prosecution expenses. The trust fund serves the purpose for which it was created and requires no general fund appropriations. It is an appropriate means of financing.

Notaries Public Revolving Fund, Section 456-9.5, HRS

Financial Data for Fiscal Years 2000-2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$36	\$23	\$28	\$49	\$57
Revenues	62	61	61	42	60
Interest	0	1	1	2	1
Expenditures	(75)	(57)	(41)	(36)	(38)
Transfers	0	0	0	0	0
Ending Fund Balance	\$23	\$28	\$49	\$57	\$80
Encumbrances	0	0	0	0	0

This fund was established in 1998 to account for receipts from original issuing and renewing fees from notaries; penalties and fines for violations; and interest income. The fund is used for personnel costs, acquisition of equipment, and operating and administrative costs of the notary office. The fund reflects a clear link between the benefit sought and charges made upon users of the program because users are charged original issuing and renewal fees to become notaries. The fund continues to serve its statutory purpose and demonstrates the ability to be financially self-sustaining. It meets all four criteria for a revolving fund.

State Identification Revolving Fund, Section 846-27, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$301	\$1,185	\$1,657	\$1,862	\$1,256
Revenues	1,315	757	766	737	813
Interest	27	87	71	47	33
Expenditures	(458)	(372)	(632)	(790)	(516)
Transfers*	0	0	0	(600)	(100)
Ending Fund Balance	\$1,185	\$1,657	\$1,862	\$1,256	\$1,486
Encumbrances	0	4	115	37	444

*Transfers were made to the general fund.

This fund, established in 1998, is used to support the operation and maintenance of the state identification card program. Fees for the issuance or renewal of state identification cards are deposited into the fund, thus reflecting a direct link between the benefits sought and charges to users of the program. Several initiatives have been completed to improve the program, including providing an alternate identification number, renewal by mail, and community outreach. Over the past five fiscal years the fund has demonstrated that it is financially self-sustaining. The fund continues to serve its original purpose and meets all revolving fund criteria.

Accounts Established Under Administrative Authority

Criminal Forfeiture Bond Holding Account

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$36	\$22	\$20	\$16	\$20
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(14)	(2)	(4)	4	(5)
Ending Fund Balance	\$22	\$20	\$16	\$20	\$15
Encumbrances	0	0	0	0	0

*Transfers were made to and from persons posting bonds and the Seized Funds – Final Disposition Pending Trust Account or the Criminal Forfeiture Revolving Fund.

Established in 1988, this account was created to hold bond moneys posted by persons who claim an interest in property seized for administrative forfeiture. Disbursements from the account include returned cost bonds and transfers pursuant to court orders or stipulations. The account is used as a holding account for cost bonds posted by litigants and serves the purpose for which it was created. The fund requires no general fund appropriations and is an appropriate means of financing.

Kamehameha Schools Litigation Temporary Deposit Trust Account

Financial Data for Fiscal Years 2001–2004 (in thousands)

	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues	20,087	0	0	0
Interest	274	0	0	0
Expenditures	(19,061)	0	0	0
Transfers*	(1,300)	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0

*Transfers were made to the general fund.

This trust account was established as a clearing account for surcharge litigation settlement proceeds paid by the Federal Insurance Company on behalf of the former trustees of the Bishop Estate. Settlement funds were received on October 13, 2000, and disbursements were made to

Kamehameha Schools; the general fund to reimburse the State's litigation expenses; and arbitrators to settle attorney fee claims. The fund has served the purpose for which it was established and is no longer needed. This account should be repealed.

Litigation Settlement Clearance Account

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$1,495	\$8,145	\$50,682	\$2,564	\$1,478
Revenues	9,408	59,390	114	3	0
Interest	0	957	596	57	0
Expenditures	(2,758)	(17,810)	(48,828)	(1,146)	(1,478)
Transfers	0	0	0	0	0
Ending Fund Balance	\$8,145	\$50,682	\$2,564	\$1,478	\$0
Encumbrances	0	0	0	0	0

Established in 1985, this trust account serves as a clearing account for settlements in litigation cases involving the State and other co-defenders. Account activities include the receipt of asbestos settlements, anti-trust settlements and other collections made by the Civil Recoveries Division. The trust account continues to serve the purpose for which it was created and requires no general fund appropriations.

Seized Funds-Final Disposition Pending Trust Account

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$138	\$130	\$111	\$84	\$275
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(8)	(19)	(27)	191	(84)
Ending Fund Balance	\$130	\$111	\$84	\$275	\$191
Encumbrances	0	0	0	0	0

*Transfers were made to the Criminal Forfeiture Revolving Fund or to the claimant depending on the outcome of litigation.

Established in 1988, this trust account acts as a holding account for funds seized by administrative or judicial forfeiture until a final determination on the forfeiture is made. Forfeited seized funds are transferred to the Criminal Forfeiture Revolving Fund or returned to the owner. The

account continues to serve the purpose for which it was created and requires no general fund appropriations. This trust account is an appropriate means of financing.

Temporary Deposit-Child Support Enforcement Services Account

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$1,174	\$370	\$522	\$228	\$394
Revenues	2,002	2,426	1,702	2,027	2,175
Interest					
Expenditures	(2,806)	(2,274)	(1,996)	(1,861)	(1,636)
Transfers	0	0	0	0	0
Ending Fund Balance	\$370	\$522	\$228	\$394	\$933
Encumbrances	2	3	12	11	274

This account was created in 1986 as a temporary deposit account for federal incentive moneys earned through the Child Support Enforcement Services Division's collection of child support payments. The fund supports all operations and personnel expenses for the 41 positions of the Family Services Division state-wide. Program activities include the establishment of paternity, child, spousal, and medical support orders; and enforcement of support orders. The fund continues to serve its statutory purpose and requires no general fund appropriations. This fund is an appropriate means of financing.

Temporary Deposits-Payroll Overpayment

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$6	\$10	\$5	\$8	\$10
Revenues	5	4	4	2	3
Interest	0	0	0	0	0
Expenditures	(1)	(9)	(1)	0	(2)
Transfers	0	0	0	0	0
Ending Fund Balance	\$10	\$5	\$8	\$10	\$11
Encumbrances	0	0	0	0	0

This trust account was created in 1997 to account for semi-monthly employee salary overpayments. Employees are provided an opportunity to either request a hearing to determine the actual salary overpayment amount or choose a repayment plan option. The fund continues to meet its intended purpose and does not require general fund appropriations. This trust account is an appropriate means of financing.

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Chapter 3

Department of Business, Economic Development, and Tourism

This chapter presents the results of our review of 22 revolving funds, three trust funds, and seven trust accounts used by the Department of Business, Economic Development, and Tourism (DBEDT).

Historically, the Housing and Community Development Corporation of Hawaii (HCDCH) was administratively attached to DBEDT. However, it was transferred to the Department of Human Services (DHS) by Act 92, SLH 2003, effective July 1, 2003. As a result, the following 11 revolving and trust funds controlled by HCDCH were also transferred to DHS: Dwelling Unit Revolving Fund; Equipment Rental Revolving Fund; Fee Simple Residential Revolving Fund; Homes Revolving Fund; Housing Finance Revolving Fund; Housing for Elders Revolving Fund; Rental Assistance Revolving Fund; Rental Housing Trust Fund; State Low Income Housing Revolving Fund; Teacher's Housing Revolving Fund; and Vehicle Rental Revolving Fund. Because of the change in the responsible department, we reflect here only the information for FY2000 through FY2003. The FY2003-04 data will be reflected in our next review of revolving and trust funds for DHS.

For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first those funds established by statutory authority followed by accounts established under administrative authority, in alphabetical order.

Funds Established Under Statutory Authority

Brownfields Cleanup Revolving Loan Fund, Act 173, SLH 2002

Financial Data for Fiscal Years 2002-2004 (in thousands)

	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	0	0	0

This fund was established in 2002 as a permanent source of funding for low interest loans or other authorized financial assistance to eligible public, private, and nonprofit borrowers for cleanup activities of contaminated sites as well as site monitoring activities necessary to determine the effectiveness of a cleanup. The objectives of this fund include:

- Promoting economic revitalization of communities through the redevelopment and reuse of abandoned and underutilized sites;
- Eliminating or reducing potential public and environmental health risks through the cleanup of contaminated sites;
- Promoting more efficient and effective use of the State's existing urbanized areas; and
- Assisting in relieving development pressure on undeveloped open lands or agricultural lands.

Primary sources of revenue will include repayment of loan principal and interest, program fees, and other federal or private sources of funding. Loans will initially be directly funded by a \$2 million grant award from the Environmental Protection Agency's Brownfields Cleanup Revolving Loan Fund Pilot Program. DBEDT is still setting up the program and developing rules and procedures for its operation. Thus, to date the fund has had no activity nor is there a scheduled date for the program to begin. The fund is intended to be self-sustaining with moneys being used to cover administrative and legal costs of fund and site management. However, self-sustainability will be unknown until the program is implemented. The fund is scheduled for repeal on June 30, 2007, if legislation to extend or make the fund permanent is not enacted.

Downpayment Loan Program Revolving Fund, Section 201G-325, HRS

Financial Data for Fiscal Years 2000-2001 (in thousands)

	FY2000	FY2001
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

This fund was established in 1992 to be administered by the Housing Finance and Development Corporation (HFDC). The HFDC was the predecessor of the HCDCH. The purpose was to provide down payments to eligible borrowers. Our 2001 report noted that the fund was never implemented and recommended that it be repealed. The fund was subsequently repealed by Act 178, SLH 2001.

Dwelling Unit Revolving Fund, Section 201G-411, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$73,117	\$81,373	\$88,652	\$88,086
Revenues	26,728	23,659	9,023	41,908
Interest	3,800	0	0	0
Expenditures	(18,880)	(13,677)	(6,963)	(33,078)
Transfers*	(3,392)	(2,703)	(2,626)	(15,168)
Ending Fund Balance	\$81,373	\$88,652	\$88,086	\$81,748
Encumbrances	0	0	0	0

*Transfers in FY2000 through FY2002 were made to the HCDCH disbursing fund to pay for other operating expenses. Transfers in FY2002-03 were made to the general fund (\$12 million) and to the HCDCH disbursing fund (\$3.2 million) to pay for other operating expenses.

This fund was established in 1970 to pay for administrative expenses, expand community facilities constructed in conjunction with housing projects, supplement building costs, pay for federal guarantees required for operational losses, and pay for all expenses related to federal requirements. The fund serves its intended purpose by being used for interim construction of affordable housing projects. A clear link exists between the benefits sought and charges made upon users of the program because the fund is replenished through payment of rent and the sale of

dwelling units or land. The fund does not require general fund appropriations. Under Act 92, SLH 2003, the Dwelling Unit Revolving Fund was transferred from DBEDT to DHS effective July 1, 2003.

Fee Simple Residential Revolving Fund, Section 516-44, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$809	\$652	\$684	\$678
Revenues	92	145	100	97
Interest	33	0	0	0
Expenditures	(180)	(10)	(6)	(308)
Transfers*	(102)	(103)	(100)	(109)
Ending Fund Balance	\$652	\$684	\$678	\$358
Encumbrances	0	0	0	0

*Transfers were made to HCDCH's dispersing fund to reimburse administrative costs.

Established in 1968, this fund accounts for revenues, receipts, and expenditures of the State's land reform program. The program fosters the conversion of residential leasehold land to fee simple. Revenues are derived from administrative and tract costs charged to lessees participating in the program. The fund accounts for arbitration receipts and expenditures of the lease rent renegotiation program for single-family dwellings and cooperative housing corporations. Receipts reimburse actual arbitration services performed by designated arbitrators. As reported in previous reviews, this fund meets all revolving fund criteria. Under Act 92, SLH 2003, the Fee Simple Residential Revolving Fund was transferred from DBEDT to DHS effective July 1, 2003.

Hawaii Capital Loan Revolving Fund, Section 210-3, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$9,386	\$10,035	\$7,237	\$5,726	\$5,280
Revenues	1,637	1,893	1,172	1,610	764
Interest	387	598	286	158	40
Expenditures	(1,375)	(214)	(544)	(214)	(110)
Transfers*	0	(5,075)	(2,425)	(2,000)	(5,927)
Ending Fund Balance	\$10,035	\$7,237	\$5,726	\$5,280	\$47
Encumbrances	20	0	0	0	2

*Transfers during FY2000-01 were made to the Hawaii Strategic Development Corporation (\$5,000,000) and to the High Technology Development Corporation (\$75,000). Transfers during FY2001-02 were made to the Hawaii Strategic Development Corporation (\$2,500,000) and from the High Technology Development Corporation (\$75,000). Transfers during FY2002-03 were made to the general fund. Transfers during FY2003-04 were made to the general fund (\$4,000,000), the State Disaster Loan Revolving Fund (\$1,000,000), and the Hawaii Strategic Development Corporation (\$927,262).

The fund was established in 1963 to provide loans to small businesses as defined by the Small Business Administration's Standard Industrial Classification Code in the manufacturing, wholesaling, retailing and service industries. Loans are provided for plant construction or expansion; purchasing building, land, equipment, machinery, supplies and materials; or for working capital. The fund does not receive any general fund appropriations. Revenues are derived from loan repayment (principal and interest) and interest earned on time certificates of deposit and the State Investment Pool. Moneys are used to provide direct and participation loans to small businesses that are unable to obtain financing through private or other conventional lenders. These small businesses create jobs, foster innovation and technology, and promote the economic development and diversification of the State.

The fund continues to serve the purpose for which it was created and meets the criteria for a revolving fund. However, Act 178, SLH 2003, repealed this fund effective July 1, 2004. The fund's balance was transferred to the general fund in FY2004-05.

Hawaii Community Development Revolving Fund, Section 206E-16, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$27,618	\$30,459	\$34,971	\$38,361	\$35,330
Revenues	2,503	3,491	3,972	1,617	2,010
Interest	1,289	1,996	1,468	1,258	890
Expenditures	(949)	(975)	(2,050)	(2,892)	(1,661)
Transfers*	(2)	0	0	(3,014)	(81)
Ending Fund Balance	\$30,459	\$34,971	\$38,361	\$35,330	\$36,488
Encumbrances	1,230	1,713	1,898	880	522

*Transfers during FY1999-2000 and FY2003-04 represent ceded land payments transferred to the Office of Hawaiian Affairs (OHA). Transfers during FY2002-03 consist of a transfer-out to the general fund (\$3,000,000) and a transfer-out of ceded land payments to OHA (\$14,251).

This fund was created in 1976 to support the activities of the Hawaii Community Development Authority (HCDA) with regard to its legislative mandate to develop underutilized urban areas. HCDA's community development objectives include the implementation of policies, programs and projects that will intensify the use of land, support and spur new developments, capitalize on opportunities for the benefit of the public, and minimize any detrimental effect of development on the community.

Revenues are derived from various sources including public facilities dedication and reserved housing fees from developers of residential projects; rental revenues from businesses occupying HCDA land; assessment payments from property owners for Improvement District infrastructure projects not funded by the issuance of bonds; parking lot receipts from parking facilities owned or controlled by HCDA; interest on invested funds; and various application and miscellaneous fees. Funds benefit the general public, particularly the residents and businesses of Kakaako, by providing affordable housing, day care facilities, parks, parking facilities, planning, and infrastructure improvements. In addition, funds are used to provide educational, cultural, and recreational facilities and prepare state properties in the Kakaako Community Development District for development. The fund does not require any general fund appropriations and meets the criteria of a revolving fund.

Hawaii Community-Based Economic Development Revolving Fund, Section 210D-4, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$760	\$593	\$521	\$417	\$406
Revenues	18	11	40	36	9
Interest	24	35	19	15	9
Expenditures	(224)	(143)	(178)	(158)	(94)
Transfers*	15	25	15	96	37
Ending Fund Balance	\$593	\$521	\$417	\$406	\$367
Encumbrances	208	319	272	56	83

*Transfers were made from the general fund.

This fund was established in 1990 to support the Hawaii Community-Based Economic Development (CBED) Program, which assists community-based enterprises in the State. There are two primary goals of the program: 1) investing in the development of community-based organizations (CBOs) that create opportunities for economic diversification and stabilization for communities, and 2) increasing community economic self-determination by encouraging locally initiated efforts to provide employment opportunities, build economic capacity, strengthen identity, and retain and create cultural anchors.

The fund continues to serve the purpose for which it was created because its grants and loans support organizations involved in community-driven economic development activities. Revenues are derived from investment pool interest, loan repayment of interest, loan repayment of principal, and transfers. The fund also receives regular infusions from the general fund to pay for administration and salary expenses; thus, it does not demonstrate the ability to be financially self-sustaining. There are no user fees under the fund's programs, and therefore no direct link between the benefits sought and user charges. For these reasons, the fund does not meet all criteria of a revolving fund. The fund should be repealed and the program budgeted through the general fund.

Hawaii Development Revolving Fund, Section 201G-421, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$125	\$126	\$411	\$425
Revenues	5	288	17	2
Interest	0	0	0	0
Expenditures	(2)	(1)	0	(427)
Transfers*	(2)	(2)	(3)	0
Ending Fund Balance	\$126	\$411	\$425	\$0
Encumbrances	0	0	0	0

*Transfers were made to DBEDT's disbursing fund to reimburse administrative costs.

This fund was created to make loans or grants to cover planning, engineering, feasibility studies, and other initial costs to provide low or moderate cost housing through government assistance programs. Loan or grant agreements may be entered into with other public organizations or private nonprofit organizations. The fund was repealed by Act 178, SLH 2002.

Hawaii Innovation Development Fund, Section 211E-2, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$263	\$285	\$408	\$440	\$1
Revenues	12	105	15	10	0
Interest	10	18	17	9	0
Expenditures	0	0	0	0	0
Transfers*	0	0	0	(458)	(1)
Ending Fund Balance	\$285	\$408	\$440	\$1	\$0
Encumbrances	0	0	0	0	0

*Transfers were made to the general fund.

This fund was established in 1981 by the Hawaii Invention Development Program to promote the development of new products or inventions. In 1987, the program was broadened to include early stage financing for new or modified products, services, or technologies.

The fund does not require general fund appropriations. Revenues are derived from loan repayments (principal and interest) and interest earned from time certificates of deposit and the State Investment Pool. Moneys are used to provide direct and participation loans to small businesses that

are unable to obtain financing through private or other conventional lenders. The fund meets the criteria for a revolving fund; however, Act 178, SLH 2003, repealed the fund effective June 29, 2003. All remaining unexpended and unencumbered balances were transferred to the general fund.

Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$2,011	\$3,256	\$4,994	\$3,695	\$883
Revenues	2,006	218	0	406	0
Interest	100	102	129	96	8
Expenditures	(1,499)	(3,582)	(3,928)	(3,314)	(315)
Transfers*	638	5,000	2,500	0	194
Ending Fund Balance	\$3,256	\$4,994	\$3,695	\$883	\$770
Encumbrances	1	20	11	0	32

*Transfers in FY1999-2000 were received from the general fund. Transfers in FY2000-01 and FY2001-02 were received from the Hawaii Capital Loan Revolving Fund. Transfers in FY2003-04 were received from the Hawaii Capital Loan Revolving Fund (\$927,262) and made to the general fund (\$733,283).

This fund was established to support the Hawaii Strategic Development Corporation (HSDC) in developing a sustainable venture capital industry in Hawaii to stimulate the growth of viable new businesses. Revenues consist of legislative appropriations, return on investments, interest earned on time certificates of deposit and the State Investment Pool, prior transfers from DBEDT business financing programs, and funds provided from other entities. Funds are used to support start-up technology firms, service providers to emerging companies, university students who benefit from HSDC's entrepreneurial support programs, the development of venture capital funds, and the development of technology and biotechnology industry infrastructure.

Between FY2000 to FY2003, the fund received infusions from the general fund and the Hawaii Capital Loan Revolving Fund. Until returns on the long-term investments are made, the fund does not demonstrate the capacity to be financially self-sustaining. Thus, the fund does not meet the criteria of a revolving fund.

Hawaii Technology Loan Revolving Fund, Section 206M-15.6, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This fund was established in 2000 to invest in technology development in Hawaii by providing loans to qualified high technology companies in the State. The fund's activities are designed to provide support and create business opportunities for Hawaii's technology industry by making capital available to those companies that have difficulty obtaining loans from conventional means or from venture capitalists. Initial seed moneys for the fund were supposed to come from the Hawaii Capital Loan Fund; however, moneys in the Hawaii Capital Loan Fund are not available. Moneys to sustain the fund are intended to come from legislative appropriations, loan repayments, investment earnings, royalties, premiums or fees or equity, and loans that are convertible to equity.

Since the program has not yet been implemented, we cannot evaluate whether the fund appropriately meets the criteria of a revolving fund.

Homes Revolving Fund, Section 201G-401, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$3,550	\$3,471	\$4,143	\$5,312
Revenues	295	1,230	1,710	2,152
Interest	175	0	0	0
Expenditures	(549)	(558)	(541)	(222)
Transfers*	0	0	0	(787)
Ending Fund Balance	\$3,471	\$4,143	\$5,312	\$6,455
Encumbrances	0	0	0	0

*Transfers in FY2002-03 were made to the Dwelling Unit Revolving Fund.

This fund was created in 1988 to develop and implement affordable housing programs, including the development of infrastructure and on- and off-site improvements required for development; to provide short-term or interim construction loans; to develop and construct housing; and to advance equity capital for the rental housing system. Our 2001 review reported that the fund continues to serve its original purpose, reflects a clear link between the benefits sought and the charges made upon the users of the program, and is financially self-sustaining. However, the 2003 Legislature repealed this fund through Act 178 because it determined that the fund no longer served its original purpose, was not an appropriate means of financing, or was not financially self-sustaining. Act 178, SLH 2003, took effect on July 1, 2003 and all unexpended and unencumbered balances were to be transferred to the general fund. At the same time, under Act 92, SLH 2003, administration of the fund was transferred from DBEDT to DHS effective July 1, 2003.

Housing Alteration Revolving Loan Fund, Section 201G-342, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$254	\$257	\$265	\$272
Revenues	11	15	13	4
Interest	0	0	0	0
Expenditures	(5)	(3)	(3)	(4)
Transfers*	(3)	(4)	(3)	(272)
Ending Fund Balance	\$257	\$265	\$272	\$0
Encumbrances	0	0	0	0

*Transfers in FY1999-2000, FY2000-01, and FY2001-02 were made to DBEDT's disbursing fund to reimburse administrative costs. Transfers in FY2002-03 were made to the general fund.

This fund was established in 1990 to provide low interest loans to eligible persons with disabilities or to their caregivers to make design alterations such as modifications to kitchens, baths, doorways, doors, cabinets, windows, and drawers. The maximum loan is \$25,000 per qualified residence. In our prior report, we noted that it had taken eight years to implement the program without becoming operational. We recommended that the fund be repealed, and the fund was subsequently repealed by Act 178, SLH 2002, which took effect on June 30, 2002.

Housing Finance Revolving Fund, Section 201G-170, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$8,393	\$9,978	\$8,783	\$9,290
Revenues	2,821	2,190	2,265	2,140
Interest	449	0	0	0
Expenditures	(64)	(1,828)	(178)	(5,257)
Transfers*	(1,621)	(1,557)	(1,580)	(1,605)
Ending Fund Balance	\$9,978	\$8,783	\$9,290	\$4,568
Encumbrances	0	0	0	0

*Transfers were made to HCDCH's disbursing fund to reimburse administrative costs.

This fund was created in 1985 to pay for long-term financing, other special financing, and administrative expenses of HCDCH. The fund finances the Mortgage Credit Certificate Program, Loan Program for Kalapana Disaster Victims, Kahana Valley Loan Program, and Low-Income Housing Tax Credit Program. As previously reported, a clear link exists between benefits and charges because those who receive loans from the fund replenish it through payment of principal, interest, and various fees. The fund is self-sustaining and meets all revolving fund criteria. Under Act 92, SLH 2003, administration of this fund was transferred from DBEDT to DHS effective July 1, 2003.

Housing for Elders Revolving Fund, Section 201G-153, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$1,765	\$1,042	\$1,188	\$1,414
Revenues	847	1,931	1,727	1,620
Interest	0	0	0	0
Expenditures	(1,497)	(1,624)	(1,396)	(1,621)
Transfers*	(73)	(161)	(105)	(103)
Ending Fund Balance	\$1,042	\$1,188	\$1,414	\$1,310
Encumbrances	0	0	0	0

*Transfers were made to HCDCH's disbursing fund to reimburse administrative costs.

This fund was created in 1976 to support the management, operation, and maintenance of housing for the elderly. The fund serves its intended purpose by supporting housing projects for elderly individuals and families on Oahu. A clear link exists between the benefits sought and charges made upon beneficiaries of the program because tenants pay

rental and other fees that are deposited into the fund for residency at these projects. The fund is self-sustaining and meets all revolving fund criteria. Under Act 92, SLH 2003, administration of this fund was transferred from DBEDT to DHS effective July 1, 2003.

Kalaeloa Community Development Revolving Fund, Section 206G-8 and Section 206E-195, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$133	\$141	\$0	\$123
Revenues	337	284	19	120	2
Interest	0	0	0	0	2
Expenditures	(204)	(276)	(108)	(49)	(53)
Transfers*	0	0	(52)	52	0
Ending Fund Balance	\$133	\$141	\$0	\$123	\$74
Encumbrances	66	119	0	0	0

*Transfers between the Barbers Point Naval Air Station Redevelopment Commission and the HCDA.

This fund was originally established in 1997 by Section 206G, HRS, to enable the Barbers Point Naval Air Station (BPNAS) Redevelopment Commission to provide interim infrastructure services to the end-users of approximately 2,150 acres of property declared surplus by the U.S. Navy. In 2002, Act 184 repealed Section 206G, HRS, and transferred this responsibility from the BPNAS Redevelopment Commission to the HCDA. The fund was re-established in 2002 by Section 206E-195, HRS, and the remaining fund balance was transferred to the re-established fund.

The purpose of the re-established fund is to support the redevelopment activities of HCDA within the Kalaeloa Community Development District. HCDA's development objectives include implementing policies, programs, and projects that promote economic development and employment opportunities by fostering diverse land uses and encouraging private sector investments that utilize the opportunities presented by the receipt of property from the base closure consistent with the needs of the public. Revenue is derived from assessments and interest to landowners within the Kalaeloa district and funds are used to support staff and operating costs. Through the 2004 legislative session, the fund also received funds from government obligation bonds and matching federal funds. The department expects more redevelopment activity in the future, and continues to look for permanent funding sources so that the fund can continue to be self-sustaining.

The fund serves its intended purpose and reflects a clear link between the benefit sought and charges made upon users. The fund does not receive any general fund appropriations, thus demonstrating the capacity to be financially self-sustaining. Therefore, the fund meets the criteria for a revolving fund.

Petroleum Products Control Fund, Section 125C-7, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$142	\$128	\$132	\$137
Revenues	0	0	0	0
Interest	6	8	5	1
Expenditures	(20)	(4)	0	0
Transfers*	0	0	0	(138)
Ending Fund Balance	\$128	\$132	\$137	\$0
Encumbrances	4	0	0	0

*Transfers were made to the general fund.

This fund was established in 1975 to support the State's Energy Emergency Preparedness program by providing the governor with the flexibility to conduct prudent advanced contingency planning, preparation, and immediate response for an energy emergency. The fund has served the purpose for which it was created. However, there is no clear linkage between the benefits sought and user charges because no user charges are assessed. The fund relies on interest earned on time certificates of deposit and the State Investment Pool. In 2003, the fund was repealed by Act 178, and all unexpended and unencumbered balances remaining as of June 29, 2003, were transferred to the State's general fund.

Rental Assistance Revolving Fund, Section 201G-223, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$24,752	\$27,717	\$23,808	\$27,413
Revenues	5,392	2,569	9,091	2,721
Interest	0	0	0	0
Expenditures	(2,361)	(6,411)	(5,426)	(7,102)
Transfers*	(66)	(67)	(60)	(6,057)
Ending Fund Balance	\$27,717	\$23,808	\$27,413	\$16,975
Encumbrances	0	0	0	0

*Transfers from FY2000 to FY2002 were made to HCDCH's operating fund to reimburse administrative expenses. Transfers in FY2002-03 were made to the general fund (\$6,000,000) and to the operating fund to pay for administrative expenses (\$57,411).

Established in 1982, this fund is used to make payments under rental assistance contracts or to subsidize tenants' rents in projects. Up to \$25 million from the fund plus any bond proceeds may also be used to provide interim construction financing to qualified sponsors or to the HCDCH to develop affordable rental housing. A clear link exists between the benefits sought and charges made upon users of interim construction financing because those receiving such financing must repay the loan principal and interest. However, there is no linkage in the case of the rental assistance program. We previously recommended that the rental assistance program be budgeted through the general fund and that a portion of the fund's large cash balance be transferred to the general fund. Pursuant to Act 278, SLH 2002, \$6 million was transferred out of the fund to the state general fund. Under Act 92, SLH 2003, the Rental Assistance Revolving Fund was transferred from DBEDT to DHS effective July 1, 2003.

Rental Housing Trust Fund, Section 201G-432, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$25,530	\$21,004	\$19,877	\$20,202
Revenues	2,428	2,953	4,570	4,426
Interest	0	0	0	0
Expenditures	(6,954)	(4,080)	(4,245)	(4,207)
Transfers	0	0	0	0
Ending Fund Balance	\$21,004	\$19,877	\$20,202	\$20,421
Encumbrances	0	0	0	0

This fund was created in 1993 to provide loans or grants for the development, predevelopment, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. The fund can also be used for planning, design, land acquisition, costs of options, agreements of sale, down payments, equity financing, capacity-building of non-profit housing developers, and other housing development services or activities. As we reported in 2000, the fund continues to serve its original purpose and provides the benefits originally intended to beneficiaries. The fund does not require general fund appropriations and meets all trust fund criteria. Under Act 92, SLH 2003, administration of this fund was transferred from DBEDT to DHS effective July 1, 2003.

State Disaster Revolving Loan Fund, Section 209-34, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$304	\$345	\$390	\$424	\$192
Revenues	28	23	18	12	22
Interest	13	22	16	6	2
Expenditures	0	0	0	0	0
Transfers*	0	0	0	(250)	808
Ending Fund Balance	\$345	\$390	\$424	\$192	\$1,024
Encumbrances	0	0	0	0	0

*Transfers in FY2002-03 were made to the general fund. Transfers in FY2003-04 were made to the general fund (\$192,215) and received from the Hawaii Capital Loan Revolving Fund (\$1,000,000).

The fund was established in 1976 to provide loans to business, individuals, and families who suffer damages in a state-declared disaster. The fund continues to serve the purpose for which it was created. A direct link exists between the benefit sought and charges made upon users because those who receive loans are required to repay the principal and interest. The fund is self-sustaining and has required no general fund appropriations.

State Low Income Housing Revolving Fund, Section 201G-45, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$1,266	\$1,456	\$3,174	\$2,679
Revenues	5,860	4,579	2,807	4,072
Interest	54	0	0	0
Expenditures	(3,340)	(1,391)	(1,691)	(2,943)
Transfers*	(2,384)	(1,470)	(1,611)	(1,177)
Ending Fund Balance	\$1,456	\$3,174	\$2,679	\$2,631
Encumbrances	0	0	0	0

*Transfers were made to HCDCH's operating fund to reimburse administrative costs.

This fund was created to support activities of the Hawaii Housing Authority in developing and administering public housing. As previously reported, the fund continues to serve its original purpose by collecting rents and fees for the administration of the authority's rental housing projects for low-income families. A direct link exists between benefits sought and charges made upon users because tenants are charged rent and other fees for residing in these projects. Under Act 92, SLH 2003, administration of this fund was transferred from DBEDT to DHS effective July 1, 2003.

Teachers' Housing Revolving Fund, Section 201G-142, HRS

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$923	\$853	\$811	\$915
Revenues	237	257	271	287
Interest	40	0	0	0
Expenditures	(20)	(35)	(11)	(10)
Transfers*	(327)	(264)	(156)	(241)
Ending Fund Balance	\$853	\$811	\$915	\$951
Encumbrances	0	0	0	0

*Transfers were made to DBEDT's disbursing fund to reimburse administrative costs.

This fund was created in 1969 to support the development and administration of housing for teachers of the Department of Education. Teacher housing was to be provided only in areas lacking adequate housing at a reasonable cost. As previously reported, the fund continues to meet its intended purpose because funds are used for the operation and

maintenance of teacher housing on neighbor islands. A direct link exists between the benefits sought and charges made upon users of the program because teachers are charged rent for their housing. The fund is self-sustaining and meets all revolving fund criteria. Under Act 92, SLH 2003, administration of this fund was transferred from DBEDT to DHS effective July 1, 2003.

Accounts Established Under Administrative Authority

Deposits in OHA Public Land Trust (HCDA)

Financial Data for Fiscal Years 2003–2004 (in thousands)

	FY2003	FY2004
Beginning Fund Balance	\$0	\$0
Revenues	1	0
Interest	0	0
Expenditures	0	0
Transfers*	(1)	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

*Transfers were made to OHA.

Established in 2003, this fund was created for temporary deposits of ceded land revenues that would then be transferred to OHA in FY2002–03 only. The fund receives 20 percent of rental revenues from HCDA tenants leasing property on ceded lands. In 2003 the function of this fund was replaced by the OHA Ceded Lands Proceeds – HCDA Trust Account. Although identified as a revolving fund by the department, this fund served as a temporary holding account for OHA. The fund does not meet the criteria of a revolving fund and should therefore be repealed.

Equipment Rental Revolving Fund

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$427	\$593	\$675	\$776
Revenues	193	82	101	101
Interest	0	0	0	0
Expenditures	(27)	0	0	0
Transfers	0	0	0	0
Ending Fund Balance	\$593	\$675	\$776	\$877
Encumbrances	0	0	0	0

This fund was established prior to 1976 to purchase equipment for HCDCH's administrative and area offices. As previously reported, linkage exists because the offices pay rental fees into the fund, which are used to replace equipment after it is retired. The fund is also self-sustaining. Under Act 92, SLH 2003, administration of this fund was transferred from DBEDT to DHS effective July 1, 2003.

International Center for Economic Growth Asia/Pacific Discretionary Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$4	\$3	\$2	\$1	\$1
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(1)	(1)	(1)	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$2	\$1	\$1	\$1
Encumbrances	0	0	0	0	0

This trust account was established in 1998 to account for contributions received from the International Center for Economic Growth for research and projects in the Asia-Pacific region. The fund defrays administrative expenses incurred in connection with the coordination of research and projects in the Asia-Pacific region. The account continues to serve the purpose for which it was created and has required no general fund appropriations.

Kakaako Development District-Temporary Deposits

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$65	\$0	\$0	\$0	\$0
Revenues	10	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(70)	0	0	0	0
Transfers*	(5)	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

*Transfers were made to the HCDA Revolving Fund.

This account was established in 1993 as a holding account for refundable deposits from developers in response to requests for proposals or as

required by development agreements. Interest earned on invested funds is also deposited into the fund. Although the account had no activity from FY2001 to FY2003, new projects are planned and may require refundable deposits from developers. This account continues to serve its original purpose and has required no general fund appropriations.

OHA Ceded Lands Proceeds – FTZ

Financial Data for Fiscal Years 2003-2004 (in thousands)

	FY2003	FY2004
Beginning Fund Balance	\$0	\$0
Revenues	0	80
Interest	0	0
Expenditures	0	(80)
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

Administratively established in 2003, this trust account is for the deposit of ceded land proceeds prior to being transferred to OHA, pursuant to Executive Order No. 03-03. This account is a temporary holding account for revenues from foreign trade zone tenants leasing property on ceded lands. The account continues to serve its original purpose and has required no general fund appropriations.

OHA Ceded Lands Proceeds – HCDA

Financial Data for Fiscal Years 2003-2004 (in thousands)

	FY2003	FY2004
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers*	0	7
Ending Fund Balance	\$0	\$7
Encumbrances	0	0

*Transfers were received from the Hawaii Community Development Revolving Fund (\$55,601) and made to OHA (\$48,893).

This trust account was administratively established in 2003 as a temporary holding account for 20 percent of the revenues received from HCDA tenants on ceded lands. The fund replaces the Deposits in OHA

Public Land Trust (HCDA) revolving fund. The account continues to serve its original purpose and has required no general fund appropriations.

OHA Ceded Lands Proceeds – NELHA

Financial Data for Fiscal Years 2003-2004 (in thousands)

	FY2003	FY2004
Beginning Fund Balance	\$0	\$0
Revenues	0	151
Interest	0	0
Expenditures	0	(151)
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	0	0

This trust account was administratively established in 2003 as a temporary holding account for 20 percent of rental revenues received from Natural Energy Laboratory of Hawaii Authority tenants leasing property on ceded lands. The account continues to serve its original purpose and has required no general fund appropriations.

Private Contributions and Grants Trust Account

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$76	\$80	\$85	\$88	\$91
Revenues	0	0	0	0	0
Interest	4	5	3	3	2
Expenditures	0	0	0	0	(3)
Transfers	0	0	0	0	0
Ending Fund Balance	\$80	\$85	\$88	\$91	\$90
Encumbrances	70	70	70	70	0

This trust account is used to account for contributions and grants received from private sources. The fund supports the program activities of the specific project relating to the contribution or grant. Revenues include contributions and grants from private sources and interest earned on time certificates of deposit and the State Investment Pool. The account continues to serve as a holding account and has required no general fund appropriations.

Temporary Deposits Trust Account

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$259	\$267	\$304	\$247	\$240
Revenues	48	73	76	53	53
Interest	0	0	0	0	0
Expenditures	(40)	(36)	(133)	(60)	(21)
Transfers	0	0	0	0	0
Ending Fund Balance	\$267	\$304	\$247	\$240	\$272
Encumbrances	1	1	3	0	0

This account was established as a temporary holding account for deposits such as refundable rental deposits from tenants, registration fees for seminars, and private contributions for short-term projects. Revenues include refundable rental and other deposits, registration fees, and contributions to the department for specific projects. This account requires no general fund appropriations and continues to serve as a holding account.

Vehicle Rental Revolving Fund

Financial Data for Fiscal Years 2000–2003 (in thousands)

	FY2000	FY2001	FY2002	FY2003
Beginning Fund Balance	\$334	\$438	\$429	\$453
Revenues	104	24	32	32
Interest	0	0	0	0
Expenditures	0	(33)	(8)	0
Transfers	0	0	0	0
Ending Fund Balance	\$438	\$429	\$453	\$485
Encumbrances	0	0	0	0

This fund was established prior to 1976 to purchase equipment for HCDCH's administrative and area offices. A link between benefits and charges exists because the offices pay rental fees into the fund which is then used to replace retired equipment. The fund is self-sustaining. Under Act 92, SLH 2003, administration of this fund was transferred from DBEDT to DHS, effective July 1, 2003.

Chapter 4

University of Hawaii

This chapter presents the results of our review of 30 revolving funds, nine trust funds, and two trust accounts used by the University of Hawaii. For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first those funds established by statutory authority followed by those accounts established under administrative authority, in alphabetical order.

Funds Established Under Statutory Authority

Animal Research Farm, Waialeale, Oahu Revolving Fund, Section 304-8.5, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$262	\$454	\$405	\$260	\$110
Revenues	577	106	34	6	5
Interest	19	30	(3)	0	2
Expenditures	(404)	(184)	(177)	(156)	(84)
Transfers*	0	0	0	0	16
Ending Fund Balance	\$454	\$406	\$260	\$110	\$49
Encumbrances	93	36	23	21	1

*Transfers were received from the university.

This fund was established in 1974 to account for revenues from the sale of livestock and by-products at the Waialeale Livestock Experiment Station. Funds are used to maintain the station and purchase livestock. The fund continues to serve its original purpose and reflects a direct link between the purchase of animals and the revenue they generate. In 2001, we reported that this fund is not self-sustaining because salaries of the Waialeale station workers are paid from general funds. Currently, the fund continues to rely on general funds to pay for salaries of agricultural research technicians; thus, the fund does not meet all criteria of a revolving fund.

Center for Labor Education and Research Revolving Fund, Section 304-37, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$100	\$62	\$54	\$38	\$33
Revenues	19	12	11	10	13
Interest	3	4	0	0	1
Expenditures	(61)	(24)	(27)	(15)	(20)
Transfers*	1	0	0	0	3
Ending Fund Balance	\$62	\$54	\$38	\$33	\$30
Encumbrances	1	0	0	0	0

*Transfers in FY2003-04 represent the return of pool interest income. Explanations for transfers during FY1999-2000 were not provided by the agency.

This fund was established in 1976 to account for fees charged to students and labor organizations for conducting classes. The fund continues to serve its original purpose by providing labor-related education, labor-related research, and education services for labor organizations and the general public. Program activities supported by the fund include producing the Rice & Roses television program; conducting labor-related instructional programs; preparing and disseminating educational publications on subjects of interests to labor organizations; and developing and conducting labor studies courses. A clear link exists between the benefits sought and charges made upon users of the programs. The fund does not receive general fund appropriations. This fund meets all criteria of a revolving fund.

Child Care Programs Revolving Fund, Section 304-8.91, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$82	\$114	\$100	\$(13)	\$(110)
Revenues	491	453	429	423	457
Interest	9	13	(2)	0	(1)
Expenditures	(468)	(480)	(540)	(520)	(446)
Transfers*	0	0	0	0	5
Ending Fund Balance	\$114	\$100	\$(13)	\$(110)	\$(95)
Encumbrances	2	2	3	5	5

*Transfers represent interest returned to the fund.

This fund was established in 1986 to provide for the operation and renovations of child care centers. Revenues are derived from user fees, donations, United States Department of Agriculture Child and Adult Food Program reimbursements, and interest earned on the fund. Funds are used to provide quality early childhood education and child care services for students and university faculty and staff. This fund continues to serve its original purpose and reflects a clear link between the benefit sought and charges made upon its users.

The fund was previously reviewed in 1992 and again in 2001. Both reviews noted that the fund was not self-sustaining because teaching and administrative personnel were paid from general funds. This continues to be the case, since general funds are used to support seven full-time-equivalent positions which include the director and six early childhood specialists who serve as teachers to the preschoolers. Thus, the fund does not meet all revolving fund criteria.

Commercial Enterprises Revolving Fund, Section 304-8.41, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$221	\$161	\$413	\$1,683	\$3,011
Revenues	666	946	807	1,611	1,763
Interest	16	23	1,141	632	(532)
Expenditures	(642)	(717)	(1,346)	(915)	(1,751)
Transfers*	(100)	0	668	0	(1,162)
Ending Fund Balance	\$161	\$413	\$1,683	\$3,011	\$1,329
Encumbrances	40	12	10	30	47

*Transfers in FY1999-2000 were made to fund the start-up of the Rainbwtique shop. Transfers during FY2001-02 were a one-time transaction in which the fund was used as a mechanism to receive then disburse moneys. Transfers in FY2003-04 represent the distribution of interest income previously pooled in the fund.

This fund was created in 1997 for revenues and expenditures relating to, but not limited to, commercial enterprises under university programs. Program activities help increase the university's public awareness and improve its image and accessibility through the sale of emblematic merchandise, participation in events, and advertising. Funds are generated through the sale of emblematic merchandise. The fund continues to serve its original purpose and reflects a direct link between the benefits sought and charges made upon users of the activities. The fund does not receive general fund appropriations and meets all revolving fund criteria.

Community College Conference Center Revolving Fund, Section 305-5, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$643	\$703	\$619	\$663	\$437
Revenues	547	597	1,151	753	787
Interest	37	51	(4)	0	10
Expenditures	(524)	(718)	(1,003)	(979)	(823)
Transfers*	0	(14)	(100)	0	27
Ending Fund Balance	\$703	\$619	\$663	\$437	\$438
Encumbrances	47	66	80	99	16

*Transfers during FY2000-01 and FY2001-02 were made to the Community College Special Fund. Transfers in FY2003-04 represent a transfer-in of interest income (\$38,693) and a transfer-out to the Community College Special Fund (\$11,176).

Established in 1994, this fund is used to account for the fees, charges, and other moneys collected in conjunction with conference center activities conducted at the various community colleges. This fund continues to serve its original purpose. A clear link exists because conference participants are charged fees to attend conferences or workshops. Funds are used for conference center activities, including but not limited to honoraria, hotel and room rentals, food and refreshment, printing and mailing, airfare and per diem, leis, rental of audio-visual equipment, and conference supplies and materials. The fund demonstrates the ability to be financially self-sustaining, and therefore meets all the criteria for a revolving fund.

Conference Center Revolving Fund, Section 304-8.94, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$184	\$181	\$213	\$261	\$351
Revenues	1,090	1,502	1,730	1,500	1,210
Interest	18	50	(5)	0	7
Expenditures	(990)	(1,519)	(1,691)	(1,410)	(1,420)
Transfers*	(121)	(1)	14	0	26
Ending Fund Balance	\$181	\$213	\$261	\$351	\$174
Encumbrances	28	28	1	189	4

*Transfers were made to and from the various university departments for conference registration fees.

This fund was created in 1990 to account for fees, charges, and other moneys collected in conjunction with the conference center program. The program provides the university, state agencies, nonprofit organizations, and local businesses with meeting planning assistance in conducting seminars, symposia, institutes, and conferences. Registration fees are assessed to participants, representing a clear link between the benefit sought and charges made upon users. The fund continues to serve its intended purpose and does not require general fund appropriations. However, it was administratively established that salaries for the center's director and secretary be paid using general fund appropriations for FY2000 through FY2002. This practice was discontinued in FY2002-03, and the salaries are now paid using the revolving fund's revenues. If the fund continues to cover all direct and administrative costs, it will continue to meet all revolving fund criteria.

Conference Center Revolving Fund – UH Hilo, Section 304-8.945, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This fund was established in 1993 to account for fees, charges, and other moneys collected by the University of Hawaii-Hilo's conference center program. Funds are used to conduct conferences, seminars, and courses by the conference center program. In 2001, we reported that the fund has experienced only minimal financial activity and does not appear to be serving the purpose for which it was originally created. The fund continues to show no activity during FY2000 through FY2003, and thus fails to meet its statutory purpose. Although there is no current fund activity, the university anticipates this fund will be re-activated about a year after completion of the Student Life and Event Center building, which includes the new Conference Center. The department expects that the Conference Center will be completed in three years at the earliest.

Discoveries and Inventions Revolving Fund, Section 304-8.92, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$2,886	\$2,582	\$2,049	\$1,714	\$1,338
Revenues	1,404	1,093	639	904	981
Interest	120	125	(11)	0	18
Expenditures	(1,800)	(1,751)	(963)	(1,280)	(1,168)
Transfers*	(28)	0	0	0	75
Ending Fund Balance	\$2,582	\$2,049	\$1,714	\$1,338	\$1,244
Encumbrances	1	0	0	0	14

*Transfers were made to and from the Research and Training Revolving Fund.

This fund was created in 1988 to support the development of technologies that have potential commercial value, the administration of technology transfer activities at the university, and to facilitate economic development through education and research. The fund continues to serve these purposes by supporting technological development activities. There is a direct link between the benefit sought and charges made upon the fund's users because revenues are derived from royalty and copyright income and interest. As reported in our 2001 review, the fund is still not financially self-supporting. Prior to FY2003-04, the fund received general funds for its personnel and general operating costs. From FY2003-04 onward, the fund will receive transfers from the Research and Training Revolving Fund to pay for personnel and general operating costs. Thus, the fund does not meet all criteria of a revolving fund.

International Exchange Health Care Tourism Revolving Fund, Section 304-68.5, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

In 1998 this fund was established to account for all donations, gifts, contributions, legislative appropriations, and moneys generated by the

program through education, training, and research contracts and grants. The fund must be used by the School of Medicine and the School of Nursing for student aid, training projects, teaching, supplies, services, and activities related to the development and promotion of the program. As reported in our 2001 review, the fund continues to not serve the purpose for which it was created. The program has not been implemented due to a lack of staff and funds necessary to conduct a program specifically aimed at bringing in international exchange students. The university has no current plans to use the revolving fund and noted that no international student has been admitted directly into the school without first attending the university to bolster qualifications. As recommended in our previous audit, Section 304-68.5, HRS, should be repealed and the fund discontinued.

Research and Training Revolving Fund, Section 304-8.1, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$21,036	\$25,587	\$26,971	\$30,944	\$35,374
Revenues	13,588	14,879	21,277	26,828	30,686
Interest	0	0	0	0	0
Expenditures	(9,037)	(13,495)	(17,288)	(22,189)	(26,143)
Transfers*	0	0	(16)	(209)	0
Ending Fund Balance	\$25,587	\$26,971	\$30,944	\$35,374	\$39,917
Encumbrances	1,886	2,002	5,245	2,210	2,236

*Transfers during FY2001-02 were made to the Commercial Enterprises Revolving Fund. Transfers in FY2002-03 were made to the State Department of Budget and Finance.

This fund was established in 1974 to pay for research and training activities at the university, and deposits into the Discoveries and Inventions Revolving Fund and the University of Hawaii Housing Assistance Revolving Fund. The fund continues to serve its original purpose and receives no general fund appropriations. However, the fund does not link benefits and charges because revenues are from reimbursements for indirect overhead costs, or those costs incurred by the university that are not attributable to a specific grant, contract, or cooperative agreement. Indirect overhead costs include electricity, telephone, various facilities expenses, general administration, and general expenses. These revenues are used to finance activities such as cost sharing, research or training seed money, travel grants for faculty and staff, start-up requirements, emerging programs, equipment purchases and other operational expenses related to research and training at the university. The fund does not meet all criteria for a revolving fund.

Seed Distribution Program Revolving Fund, Section 304-77 and Section 150-41, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$106	\$69	\$28	\$32	\$39
Revenues	73	41	70	58	54
Interest	3	2	0	0	1
Expenditures	(113)	(84)	(66)	(51)	(42)
Transfers*	0	0	0	0	2
Ending Fund Balance	\$69	\$28	\$32	\$39	\$54
Encumbrances	4	1	0	0	2

*Transfers represent a non-mandatory transfer of cash from the university.

Originally created in 1975, this fund was established to support the seed distribution program in cultivation and production of vegetable and garden seeds. The fund continues to serve its original purpose and reflects a clear linkage because seeds developed by the program are sold to farmers, seed companies, and the general public. Prior to FY2000-01, general funds were used to pay for the program manager's salary. Since then, the manager's position has been vacant; however, the director of the Agricultural Diagnostic Service Center has assumed management responsibilities. The department would like to hire a new manager, and intends to pay for the position using only funds from the Seed Distribution Program Revolving Fund. If all administrative and seed costs are paid for using seed revenues, the fund will be financially self-sustaining and will then meet all criteria of a revolving fund.

State Higher Education Loan Fund, Section 304-91, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$7,365	\$7,173	\$7,572	\$7,451	\$7,702
Revenues	31	138	29	3	3
Interest	188	195	181	241	201
Expenditures	(411)	(129)	(331)	7	(371)
Transfers*	0	195	0	0	0
Ending Fund Balance	\$7,173	\$7,572	\$7,451	\$7,702	\$7,535
Encumbrances	0	0	0	0	0

*Explanation for transfers was not provided by the agency.

This fund was created in 1969 to provide loans to needy students pursuant to rules and regulations adopted by the Board of Regents. The fund continues to serve the purpose for which it was created. Students enrolled full-time at the university, with at least one year of Hawaii residency, are eligible to apply for the program's loans. A clear link exists between the benefits sought and the charges made upon the users of the program because the students who receive the loans are required to repay the loans. The fund also receives deposits from interest received on the loan principal payments. The fund does not require general fund appropriations and meets all criteria for a revolving fund.

Student Health Center Revolving Fund, Section 304-8.2, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$(15)	\$(49)	\$57	67	\$24
Revenues	1,078	1,316	1,448	1,512	1,691
Interest	4	15	(1)	0	4
Expenditures	(1,116)	(1,225)	(1,437)	(1,555)	(1,563)
Transfers*	0	0	0	0	10
Ending Fund Balance	\$(49)	\$57	\$67	\$24	\$166
Encumbrances	13	93	46	38	34

*Transfers represent interest returned to the fund.

This fund was created in 1974 to account for fees charged for medical services and other related goods and services. The fund continues to serve its original purpose. A direct link exists between the benefits sought and the charges made upon users because students and other campus community individuals who receive services are charged fees which are deposited into the fund. Funds are used to provide medical care to students and the campus community at minimal cost. This includes providing routine medical services, physical therapy, medications and medical supplies. As we reported in 2000, the fund is not self-sustaining and receives general fund appropriations to cover administrative costs. The fund currently does not meet all requirements of a revolving fund; however, the department reports that the program has developed a business plan to become self-sufficient by fiscal year 2009.

Transcript and Diploma Revolving Fund, Section 304-8.3, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$651	\$717	\$404	\$372	\$323
Revenues	393	232	290	267	280
Interest	39	23	(3)	0	7
Expenditures	(366)	(278)	(285)	(316)	(279)
Transfers*	0	(290)	(34)	0	22
Ending Fund Balance	\$717	\$404	\$372	\$323	\$353
Encumbrances	9	101	66	77	61

*Transfers in FY2000-01 and FY2001-02 were made to the Community College Special Fund. Transfers in FY2003-04 represent the return of redirected pool interest income.

This fund was created in 1974 to defray the costs of producing and issuing transcripts and diplomas. The fund continues to serve the purpose for which it was established. A clear linkage exists because recipients of diplomas and transcripts are charged fees that are used to cover the cost of preparing and distributing diplomas, covers, and transcripts. The fund does not require general fund appropriations and meets all criteria for a revolving fund.

**University of Hawaii Alumni Revolving Fund,
Section 304-8.97, HRS**

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$35	\$41	\$17	\$2	\$6
Revenues	21	25	26	14	20
Interest	2	1	0	0	0
Expenditures	(17)	(50)	(41)	(10)	(13)
Transfers*	0	0	0	0	1
Ending Fund Balance	\$41	\$17	\$2	\$6	\$14
Encumbrances	0	1	2	2	1

*Transfers represent interest returned to the fund.

Although this revolving fund was established in 1991 for revenues and expenditures associated with university-managed alumni events, its responsibilities were transferred to the University of Hawaii Foundation in 2003. Now the fund's primary purpose is to support the operations of the alumni magazine, *Malamalama*. Although the fund does not receive

general fund appropriations, it does not meet its original purpose. As we reported in 2001, this fund does not meet all criteria of a revolving fund and should be repealed.

University of Hawaii at Hilo Hawaiian Language College Revolving Fund, Section 304-69, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$2	\$2	\$11	\$14
Revenues	2	0	7	3	4
Interest	0	0	0	0	0
Expenditures	0	0	2	0	(9)
Transfers*	0	0	0	0	1
Ending Fund Balance	\$2	\$2	\$11	\$14	\$10
Encumbrances	0	0	0	0	0

*Transfers represent interest returned to the fund.

This fund was established in 1997 to account for revenues derived from the sale of Hawaiian language materials to students, teachers, and schools. Funds are used to support the University of Hawaii at Hilo's Hawaiian Language College with the development and production of Hawaiian language materials and resources for educational purposes. The fund continues to serve its original purpose and reflects a clear link between the benefits sought and charges made upon users of the program. The fund does not require general fund appropriations, is an appropriate means of financing, and meets all criteria of a revolving fund.

University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$21	\$20	\$(3)	\$15	\$34
Revenues	193	111	160	238	162
Interest	2	1	0	0	1
Expenditures	(196)	(135)	(142)	(219)	(175)
Transfers*	0	0	0	0	1
Ending Fund Balance	\$20	\$(3)	\$15	\$34	\$23
Encumbrances	1	0	0	2	1

*Transfers represent interest returned to the fund.

Established in 1985, this fund is used to account for revenues and expenditures associated with the University of Hawaii at Hilo Intercollegiate Athletics program. The fund continues to serve its original purpose. Revenues are derived from game ticket sales, concessions, season tickets, promotional sponsors, souvenirs, camp tuition, clinics, program booklet advertising sales, and radio and television rights. These revenues provide ongoing support for the University of Hawaii at Hilo's athletic programs. This demonstrates a clear link between the benefits sought and the charges made upon users of the program. However, the fund continues to receive general fund appropriations for personnel costs and is not self-sustaining. The fund therefore does not meet all criteria of a revolving fund.

University of Hawaii at Manoa Intercollegiate Athletics Revolving Fund, Section 304-8.7, HRS

Financial Data for Fiscal Years 2000-2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$970	\$1,600	\$1,654	\$(297)	\$(1,391)
Revenues	13,292	12,537	12,407	14,947	12,321
Interest	225	325	(36)	(1)	(10)
Expenditures	(12,887)	(12,804)	(14,308)	(16,040)	(18,336)
Transfers*	0	(4)	(14)	0	138
Ending Fund Balance	\$1,600	\$1,654	\$(297)	\$(1,391)	\$(7,278)
Encumbrances	435	174	239	210	100

*Transfers in FY2000-01 and FY2001-02 were made to other university programs for services. Transfers during FY2003-04 represent interest income returned to the fund.

This fund was created in 1985 and continues to meet its original purpose by accounting for funds received for activities related to the University of Hawaii at Manoa's athletic programs and facilities. User fees are charged for athletic program activities and athletic facilities use, demonstrating a clear link between the benefits sought and charges made upon program users. However, as we reported in 2001, the fund continues to use general funds to support payroll costs and therefore does not meet all criteria for a revolving fund.

University of Hawaii at Manoa Laboratory School Summer Programs Revolving Fund, Section 304-27, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$(37)	\$98	\$144	\$188	\$169
Revenues	635	247	136	81	94
Interest	14	12	6	0	3
Expenditures	(514)	(213)	(98)	(100)	(124)
Transfers*	0	0	0	0	11
Ending Fund Balance	\$98	\$144	\$188	\$169	\$153
Encumbrances	3	5	1	2	3

*Transfers represent interest returned to the fund.

This fund was created in 1994 to support the operation of a summer program at the University of Hawaii at Manoa Laboratory School. The fund continues to serve its original purpose and supports three programs for students in grades 3 through 8, including the summer science enrichment, computer plus, and after-school programs. There is a direct link between the benefits sought and charges made upon users because students are charged tuition for the programs they are enrolled in. The fund does not receive general fund appropriations and continues to meet all criteria of a revolving fund.

University of Hawaii Graduate Application Revolving Fund, Section 304-8.98, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$200	\$204	\$143	\$177	\$73
Revenues	132	138	155	180	325
Interest	12	12	6	4	(1)
Expenditures	(140)	(211)	(127)	(288)	(375)
Transfers*	0	0	0	0	51
Ending Fund Balance	\$204	\$143	\$177	\$73	\$73
Encumbrances	7	1	15	10	2

*Transfers were received from the Law School Special Fund upon its closure.

Created in 1995, this fund accounts for revenues and expenditures associated with processing graduate program applications. The fund continues to serve its intended purpose. A clear link exists between benefits and charges because students applying for graduate programs

are charged an application processing fee. Funds are used to prepare, distribute, and process applications and application materials. The fund is not financially self-sustaining because general fund appropriations are used to support personnel costs. The fund therefore does not meet all revolving fund criteria.

University of Hawaii Housing Assistance Revolving Fund, Section 304-8.96, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$1,058	\$3,386	\$3,137	\$7	\$0
Revenues	2,183	2,461	(923)	0	0
Interest	149	223	(16)	0	0
Expenditures	(224)	(235)	13	0	0
Transfers*	220	(2,698)	(2,204)	(7)	25
Ending Fund Balance	\$3,386	\$3,137	\$7	\$0	\$25
Encumbrances	85	79	0	0	0

*Transfers during FY2002-03 were made to the Department of Budget and Finance (\$1,245,098), UH Bond System (\$392,104), and Auxiliary Services for Overhead Assessment (\$159,025). Transfers during FY2003-04 represent interest income returned to the fund. Explanations for other transfers were not provided by the agency.

this fund was established in 1991 to implement the University of Hawaii Faculty Housing Assistance Master Plan and account for all transactions of the University of Hawaii Housing Assistance Program. The fund continues to serve its intended purpose. Revenue generated from rental units, parking, and the onsite laundry facility are used to cover operating costs and debt service obligations. The fund does not require general fund appropriations; however, it is not self-sustaining because revenues are not sufficient to support program activities. The fund requires infusions from the Research Training Revolving Fund. The fund does not meet all criteria for a revolving fund.

University of Hawaii Real Property and Facilities Use Revolving Fund, Section 304-8.957, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$24	\$60	\$116	\$171	\$195
Revenues	32	48	48	49	59
Interest	3	6	(1)	0	4
Expenditures	1	2	8	(25)	(39)
Transfers*	0	0	0	0	9
Ending Fund Balance	\$60	\$116	\$171	\$195	\$228
Encumbrances	0	0	0	17	0

*Transfers consist of interest returned to the fund and a non-mandatory transfer of cash from the university.

This fund was created in 1998 to account for revenues collected by the university for the use of university property and facilities. The purpose of the fund is to support the maintenance of the Urban Garden Center agricultural plots and boundaries, maintain facilities at the College of Tropical Agriculture and Human Resources, and support research and demonstration projects on college facilities. The fund continues to serve its intended purpose. Funds are used to purchase agricultural supplies, maintain or replace equipment, offset costs to operate facilities, and obtain contractor services. A clear linkage exists because those who use the university's facilities are charged rental fees which are deposited into the fund. The fund does not require general fund appropriations and meets the criteria for a revolving fund.

University of Hawaii Student Activities Revolving Fund, Section 304-8.6, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$2,200	\$2,373	\$2,740	\$2,796	\$2,659
Revenues	2,171	2,250	2,297	2,356	2,718
Interest	272	302	210	192	49
Expenditures	(2,341)	(2,153)	(2,631)	(2,702)	(2,967)
Transfers*	71	(32)	180	17	132
Ending Fund Balance	2,373	2,740	2,796	2,659	\$2,591
Encumbrances	136	178	103	217	205

*Transfers were made to and from the various University of Hawaii funds.

This fund was created in 1980 to account for student activity fees collected for student organizations and activities. Separate funds were established for each campus unit, including the University of Hawaii at Manoa, University of Hawaii at Hilo, and the community colleges. The fund continues to serve its original purpose. Students are assessed activity fees for each semester. There is a direct link between the benefit sought and charges made on users because students who pay activity fees benefit from student organizations and activities. The fund does not require general fund appropriations, is an appropriate means of financing, and meets the criteria for a revolving fund.

**University of Hawaii Workers' Compensation and
Unemployment Insurance Compensation Trust Fund,
Section 304-8.86, HRS**

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$170	\$29	\$(380)	\$(6,932)	\$4
Revenues	0	1,291	(6,887)	8,513	0
Interest	9	5	4	0	0
Expenditures	(150)	(1,705)	(683)	0	0
Transfers*	0	0	1,014	(1,577)	(2)
Ending Fund Balance	\$29	\$(380)	\$(6,932)	\$4	\$2
Encumbrances	6	1,534	1,335	0	0

*Transfers represent the elimination of Internal Service Fund activity for financial statement presentation purposes.

This fund was originally established in 1998 as a revolving fund to pay for employees' workers' compensation and unemployment insurance benefits. Revenues are generated by fringe benefit rates that are charged against all university payroll funds. The rates for workers' compensation and unemployment insurance are adjusted annually to reflect the anticipated expenditures. Funds are then used to pay for workers' compensation and unemployment insurance claims made by employees. Our 2001 review reported that the fund operated more like a trust fund and recommended that the fund be amended. In 2002, Act 178 amended the fund, designating it as a trust fund. The purpose of the fund remained the same. The fund serves its intended purpose, is financially self-sustaining, and now meets all criteria for a trust fund.

University of Hawaii–Hilo Theatre Revolving Fund, Section 304-8.946, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$10	\$34	\$22	\$27	\$51
Revenues	40	31	31	109	97
Interest	1	2	0	0	2
Expenditures	(17)	(45)	(26)	(85)	(86)
Transfers*	0	0	0	0	2
Ending Fund Balance	\$34	\$22	\$27	\$51	\$66
Encumbrances	3	2	1	2	3

*Transfers represent interest returned to the fund.

This fund was created in 1997 to support performing arts events. Revenues are derived from admissions, advertising sales, sponsorships, and merchandising. Funds are used to finance activities related to producing and presenting performing arts events including artist fees, production costs, personnel costs, hotel and room rentals, food and refreshments, and advertising. The fund continues to serve its original purpose and reflects a clear link between the benefits sought and charges made upon users of the program. However, general fund appropriations are used to fund payroll costs. Thus, the fund does not meet all criteria for a revolving fund.

University Parking Revolving Fund – UH-Community Colleges, Section 308-2, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$97	\$56	\$20	\$0	\$0
Revenues	84	0	0	0	(1)
Interest	2	(1)	0	0	0
Expenditures	(127)	0	0	0	1
Transfers*	0	(35)	(20)	0	0
Ending Fund Balance	\$56	\$20	\$0	\$0	\$0
Encumbrances	3	0	0	0	0

*Transfers were made to the Community College Special Fund.

This fund was created in the 1960s to account for fees, fines, and other moneys collected in conjunction with parking activities at the various community colleges. Funds are used to pay for costs of operating

parking facilities, including repairs and maintenance, campus operational and administrative expenses, utilities, insurance, employee salaries, contractor services, supplies, security, and equipment. In 2000, Act 161 consolidated this fund into the Community College Special Fund. Therefore, this revolving fund should be repealed.

University Parking Revolving Fund – UH-Hilo, Section 308-2, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$55	\$2	\$18	\$25	\$22
Revenues	151	144	157	188	217
Interest	5	4	0	0	2
Expenditures	(209)	(132)	(150)	(191)	(180)
Transfers*	0	0	0	0	4
Ending Fund Balance	\$2	\$18	\$25	\$22	\$65
Encumbrances	111	109	108	5	6

*Transfers represent interest returned to the fund.

This fund was created in 1964 to account for parking fees and fines assessed for designated parking areas at the University of Hawaii-Hilo campus. The fund continues to serve its original purpose and reflects a clear link between the benefits sought and the charges made upon the program's users because individuals who drive or park on campus are charged fees or fines which are deposited into the fund. Revenues support parking office operational costs and parking lot repair and maintenance costs. The fund requires no general fund appropriations and meets all criteria for a revolving fund.

University Revenue-Undertakings Funds – UH-System, Section 306-10, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$43,720	\$52,027	\$54,432	\$53,988	\$45,713
Revenues	49,716	44,564	66,223	50,317	54,298
Interest	2,597	3,470	2,151	1,152	(40)
Expenditures	(46,865)	(48,010)	(71,287)	(67,459)	(58,746)
Transfers*	2,859	2,381	2,469	7,715	6,473
Ending Fund Balance	\$52,027	\$54,432	\$53,988	\$45,713	\$47,698
Encumbrances	4,435	4,214	13,999	10,202	6,412

*Transfers were made to and from the repair and replacement fund and the retirement of indebtedness fund.

Established in 1971, this fund accounts for moneys received from all revenue producing university projects or systems. The fund continues to serve its original purpose. Funds are used to (1) support the construction, operation, repair and maintenance of university projects or systems, (2) pay for all revenue bonds and interest, (3) reimburse the university for expenses incurred in issuing revenue bonds, (4) reimburse the State's general fund for all general obligation bond requirements issued for a university project or system, and (5) provide a reserve for betterments, improvements, renewals, and replacement of university projects or systems. The revenue producing projects currently accounted for by this fund include the University Bookstore, Waahila Faculty, Kau'iokahaloa Nui Faculty Housing, Manoa Campus Center, Manoa Parking, Manoa Food Service, Student Housing System, and Telecommunications Systems.

The Board of Regents imposes and collects rates, rents, fees, and charges for project facilities to ensure that the projects are self-sustaining. There is a direct link between the benefits sought and the charges made upon the programs' users, and the fund does not require general fund appropriations. The fund meets all criteria of a revolving fund.

Unrestricted Quasi-Endowment Income and Scholarship Revolving Fund, Section 304-8, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$112	\$125	\$138	\$167	\$170
Revenues	38	49	208	72	33
Interest	694	761	644	548	590
Expenditures	(1,630)	(1,785)	(1,119)	(891)	(802)
Transfers*	911	988	296	274	445
Ending Fund Balance	\$125	\$138	\$167	\$170	\$436
Encumbrances	0	38	24	33	16

*Transfers represent excess endowment earnings transferred back to respective funds.

Established in 1994, this fund is comprised of a statewide account and individual accounts for the University of Hawaii at Manoa, University of Hawaii at Hilo, and community colleges. The purpose of the fund includes (1) accounting for revenues and expenditures of the intercollegiate athletic scholarship program at the University of Hawaii at Hilo, (2) accounting for interest income earned on lease revenue generated from the use of community college property, (3) accounting for the University of Hawaii at Manoa Athletic Department's allocation of the Stadium Endowment Fund, and (4) producing bound copies of the oral histories of former university presidents.

The purpose of this fund has not changed since our last review, and the fund continues to serve its original purpose. Revenues are derived from public donations, fund drives, lease rental interest income, and the Stadium Endowment Fund. As reported in our previous review, the fund is financially self-sustaining and reflects a clear link between the benefits sought and the charges made upon the program's users. The fund meets all revolving fund criteria.

Vocational and Technical Training Projects Revolving Fund, Section 304-8.4, HRS

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$766	\$676	\$361	\$103	\$106
Revenues	3,021	82	6	15	(62)
Interest	38	1	(1)	0	2
Expenditures	(3,159)	(65)	(8)	(1)	45
Transfers*	10	(333)	(255)	(11)	(13)
Ending Fund Balance	\$676	\$361	\$103	\$106	\$78
Encumbrances	284	15	2	2	1

*Transfers in FY1999-2000 were received from the Office of Technology Transfer and Economic Development. Transfers during FY2000-01 and FY2002-03 were made to the Community College Special Fund. Transfers during FY2001-02 were made to the Community College Special Fund (\$227,198) and to the University of Hawaii-Hilo Farm account (\$28,000). Transfers during FY2003-04 consisted of a transfer-out to the Community College Special Fund (\$18,441) and an offsetting transfer-in of interest income returned to the fund.

This fund was created in 1974 to account for receipts and disbursements for services, supplies, and use of equipment provided for vocational and technical training projects at the community colleges and the University of Hawaii at Hilo. The fund continues to serve this purpose. In 2000, Act 161 consolidated revenues generated from the community colleges into the Community College Special Fund. The University of Hawaii-Community Colleges and University of Hawaii-Hilo have vocational and technical projects for which fees are collected. Expenditures for materials and supplies for the projects, replacement and repair of tools and equipment, and administrative costs are directly related to fees assessed. The fund does not require general fund appropriations, is an appropriate means of financing, and meets all criteria for a revolving fund.

Accounts Established Under Administrative Authority

Agency Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	277	193	2,986	3,522	197
Interest	114	163	51	6	7
Expenditures	(391)	(356)	(3,037)	(3,528)	(204)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	0	0	0	0	0

This trust account was administratively established as a temporary holding account for cash, receivables, temporary investments, and amounts due from other fund groups held by the University of Hawaii. The account receives cash deposits for equipment, musical instruments, library carrels and lockers, faculty housing, and long distance telephone service. The university acts as the custodian for these funds, repaying deposits as they are due. The fund requires no general fund appropriations and is an appropriate means of financing.

Endowment Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$54,408	\$63,604	\$64,000	\$60,997	\$54,619
Revenues	10,509	1,548	(2,963)	(5,389)	2,955
Interest	181	131	305	92	28
Expenditures	0	0	0	0	0
Transfers*	(1,494)	(1,283)	(345)	(1,081)	(619)
Ending Fund Balance	\$63,604	\$64,000	\$60,997	\$54,619	\$56,983
Encumbrances	0	0	0	0	0

*Transfers were the net of endowment fund distributions and return to the fund of unspent moneys.

This trust fund was created in 1925 to support university students through donor and Board of Regents scholarships. Donor scholarships include scholarships for the School of Medicine and the College of Engineering. Board of Regents scholarships include the Presidents' and the Boards' scholarships for Hawaii's top high school graduates, as well as scholarships for the Manoa and Hilo athletic programs. The fund

continues to serve its intended purpose and provides designated beneficiaries with scholarships. Revenues are derived from gifts and grants made by private donors or government agencies. The fund meets the criteria of a trust fund.

Unexpended Plant Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$494	\$592	\$40	\$(29)	\$(13)
Revenues	681	(613)	21	163	62
Interest	98	126	80	69	(16)
Expenditures	(681)	(65)	(170)	(216)	(28)
Transfers	0	0	0	0	0
Ending Fund Balance	\$592	\$40	\$(29)	\$(13)	\$5
Encumbrances	18	51	24	29	104

This trust account was established in 1990 as a temporary holding account for funds to acquire physical properties for institutional purposes but unexpended at the date of reporting. The fund continues to serve its original purpose by supporting telescope and infrastructure development for programs such as the Institute for Astronomy and replacing buildings and equipment. Revenues are derived from fees assessed to foreign governments, private agencies, and users of the Institute for Astronomy facilities. The fund requires no general fund appropriations and is an appropriate means of financing.

University of Hawaii – East-West Center Support Trust Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$579	\$654	\$704	\$766	\$823
Revenues	85	313	74	57	266
Interest	75	104	62	57	(17)
Expenditures	(85)	(367)	(74)	(57)	(266)
Transfers	0	0	0	0	0
Ending Fund Balance	\$654	\$704	\$766	\$823	\$806
Encumbrances	43	42	40	234	1

This fund was created in 1980 to promote cooperative and collaborative data collection and research projects between the University of Hawaii and the East-West Center. The fund continues to serve this purpose. The East-West Center contracts with the University of Hawaii for the

usage of facilities, libraries, faculty, research, security, computer, and health services, and receives revenues from the federal government and private donations. The fund does not receive general fund appropriations and is an appropriate means of financing.

University of Hawaii Financial Aid Scholarships Trust Funds

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$1,184	\$1,346	\$1,419	\$1,394	\$1,051
Revenues	8	11	10	11	368
Interest	588	634	378	311	(8)
Expenditures	(420)	(459)	(413)	(474)	(418)
Transfers*	(14)	(113)	0	(191)	6
Ending Fund Balance	\$1,346	\$1,419	\$1,394	\$1,051	\$999
Encumbrances	0	1	0	0	0

*Transfers represent the return of unused income distributions to the Endowment Fund.

These funds were established in 1925 to award financial aid scholarships to students based on scholastic achievement and financial need. Trust funds have been established at each University of Hawaii campus. Scholarship recipients are not expected to repay the awards. The trust funds continue to serve their original purpose by providing scholarships to students for academic achievement and financial need. Revenues are derived from gifts, donations, and funds transferred from endowment funds. The fund is self-sustaining and meets the criteria for a trust fund.

University of Hawaii Gifts and Donations Trust Funds

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$1,766	\$1,846	\$2,148	\$2,037	\$2,034
Revenues	65	36	63	32	168
Interest	148	223	311	292	(21)
Expenditures	(665)	(313)	(316)	(383)	(437)
Transfers*	532	356	(169)	56	43
Ending Fund Balance	\$1,846	\$2,148	\$2,037	\$2,034	\$1,787
Encumbrances	131	38	11	137	10

*Transfers were made to and from the Quasi-Endowment Fund for the reinvestment of excess endowment funds.

This fund was created in 1925 to account for gifts and donations received directly from private individuals and organizations or indirectly from the University of Hawaii Foundation and Board of Regents managed endowment funds. Gifts are in the form of cash, securities, real estate, or personal property. Programs supported by the fund include the Student Employee of the Year Program and various cooperative education projects, Papaya Research and Development, Nematode Control in Pineapple, and the Academy of International Business. The fund continues to serve students and faculty who benefit from the gifts and donations. The fund is self-sustaining and is an appropriate means of financing.

University of Hawaii Intercollegiate Athletics Scholarships Manoa

Financial Data for Fiscal Years 2000-2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$(12)	\$(48)	\$(46)	\$(57)	\$(67)
Revenues	980	589	784	784	1,016
Interest	(30)	(20)	(24)	(23)	15
Expenditures	(986)	(567)	(771)	(771)	(190)
Transfers	0	0	0	0	0
Ending Fund Balance	\$(48)	\$(46)	\$(57)	\$(67)	\$774
Encumbrances	7	1	1	0	0

This fund was created in 1985 to provide scholarships for university athletes and to provide financial support for the university's program objectives. The fund continues to serve this purpose by serving approximately 510 student athletes and awarding up to 238 academic scholarships annually. Revenue is derived from private gifts and donations. Although the fund does not receive general fund appropriations, it is not self-sustaining because expenditures exceed revenues. The fund does not meet all trust fund criteria.

University of Hawaii Okinawa Program Trust Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$144	\$141	\$117	\$88	\$42
Revenues	4,413	1,397	4,841	5,018	3,373
Interest	7	8	4	2	(1)
Expenditures	(4,423)	(1,429)	(4,874)	(5,066)	(3,389)
Transfers	0	0	0	0	0
Ending Fund Balance	\$141	\$117	\$88	\$42	\$25
Encumbrances	12	500	1,346	595	146

This trust fund was created in 1968 to account for the revenues and expenditures to administer a Western-style postgraduate medical education program at the Okinawa Prefectural Chubu Hospital in Okinawa, Japan. The Okinawa Prefecture provides revenues for the program. The University of Hawaii School of Medicine expends the moneys for postgraduate medical training to residents at the hospital. The fund serves its original purpose and continues to serve its intended beneficiaries - the residents who undergo training and the Okinawa Prefectural community. The fund receives no general fund appropriations and is an appropriate means of financing.

University of Hawaii Press Revolving Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$4,337	\$4,142	\$3,388	\$3,804	\$2,721
Revenues	4,235	4,390	4,983	4,434	5,535
Interest	120	140	(15)	0	34
Expenditures	(4,550)	(5,284)	(4,552)	(5,517)	(4,748)
Transfers*	0	0	0	0	111
Ending Fund Balance	\$4,142	\$3,388	\$3,804	\$2,721	\$3,653
Encumbrances	422	406	686	430	552

*Transfers represent interest income returned to the fund.

This fund was established in 1970 to account for all sales receipts of the University of Hawaii Press which are then used to support publishing costs. Fund activities include the publication of books, journals, maps, and electronic media under the University of Hawaii Press imprint. The fund continues to serve its intended purpose. Revenues are derived from publication and production service charges and pay for business related activities and payroll. There is a clear link between the benefits sought

and charges made upon users of the program. Although the fund receives general funds to support positions in the academic journals department, it is self-sustaining due to its substantial cash balance. The fund is an appropriate means of financing.

University of Hawaii Private Funded Contracts and Grants Trust Funds

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$5,788	\$5,917	\$1,089	\$1,190	\$1,340
Revenues	29,022	28,439	33,930	39,273	38,768
Interest	188	135	96	156	(27)
Expenditures	(29,952)	(28,654)	(33,993)	(39,279)	(38,789)
Transfers*	871	(4,748)	68	0	0
Ending Fund Balance	\$5,917	\$1,089	\$1,190	\$1,340	\$1,292
Encumbrances	1,691	1,397	1,280	1,255	1,331

*Transfers during FY1999-2000 represent adjustments made for financial statement presentation purposes. Transfers during FY2000-01 represent the transfer-out of the Kau'iokahaloa Iki Faculty Housing to Fund Group 54, Plant Inventory-Buildings. Transfers during FY2001-02 consist of transfers made to various university funds and adjustments made for financial statement presentation purposes.

This fund was created in 1919 to account for revenues and expenditures for sponsored research and training contracts and grants from non-federal government entities. Revenues are derived from state agencies, private individuals, organizations, and foundations. Funds are used for research and training services by faculty and staff. The fund continues to serve its intended purpose and receives no general fund appropriations. This trust fund is an appropriate means of financing.

University of Hawaii Short-Term Loans Trust Fund

Financial Data for Fiscal Years 2000–2004 (in thousands)

	FY2000	FY2001	FY2002	FY2003	FY2004
Beginning Fund Balance	\$245	\$233	\$250	\$259	\$260
Revenues	0	0	0	0	0
Interest	9	12	8	7	(2)
Expenditures	(21)	5	1	(6)	(2)
Transfers	0	0	0	0	0
Ending Fund Balance	\$233	\$250	\$259	\$260	\$256
Encumbrances	0	0	0	0	0

This fund was created to provide students with emergency loans to meet expenses incident to their schooling. Revenues are derived from private gifts and donations. Loans are restricted to educational costs not exceeding \$100; however, exceptions may be approved by the director of financial aid. Loans are not subject to a finance or service charge but must be paid within 60 days. The fund continues to serve its original purpose by providing short-term loans to students. This fund meets all criteria of a trust fund.

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Responses of the Affected Agencies

Comments on Agency Responses

On November 23, 2004, we transmitted a draft of this review to the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii. A copy of the transmittal letter to the Department of the Attorney General is included as Attachment 1. Similar letters were sent to the Department of Business, Economic Development, and Tourism and the University of Hawaii. A copy of the responses of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii are included as Attachments 2, 3, and 4, respectively.

The Department of the Attorney General disagrees with our conclusion that the Criminal Forfeiture Revolving Fund does not meet all four criteria of a revolving fund. The department stated that the program is funded by criminal forfeitures, which really are charges assessed on the criminals, who are the “users” of the criminal justice system. However, as previously stated by our office, in maintaining that crime reduction and deterrence are the benefit of this fund, the department disregards the direct linkage requirement—that those who pay into a revolving fund should benefit from that fund. In this case, the criminals whose property is seized receive no benefits from this program.

The department also provided additional information regarding the Antitrust Trust Fund, but did not disagree with our conclusion that it is improperly classified as a trust fund.

The Department of Business, Economic Development, and Tourism disagrees with our conclusion that the Hawaii Strategic Development Corporation Revolving Fund does not meet all four criteria of a revolving fund because it has not demonstrated financial self-sustainability. The department stated the definition of a revolving fund does not constrain the self-sustainability requirement of a revolving fund to an annual basis, as our conclusion implies. The department further explains that loans or investments made under this program can take ten years or longer to repay and, as such, “revolve” over a longer period of time, but nonetheless are self-sustaining. We agree wholeheartedly that the definition of a revolving fund does not specify any timeframe, annual basis or otherwise, when determining self-sustainability. However, it does require a revolving fund to be self-sustaining. As stated in our report, we do not disagree that this fund could demonstrate self-sustainability if and when these longer term loans or investments do

provide returns, but the fact remains that this fund had not achieved self-sustainability during the period covered by this report.

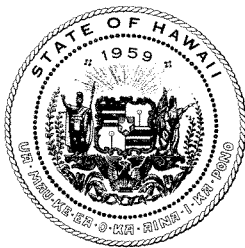
The department also stated that while our report cited transfers into this fund from the Hawaii Capital Loan Program as support for our conclusion of a lack of self-sustainability, the definition of a revolving fund does, in fact, allow for transfers from other funds or accounts. We agree that the definition of a revolving fund does allow for transfers to be received from other funds or accounts, however, the direct linkage criteria would still apply, meaning the Hawaii Capital Loan Program would have to be a direct beneficiary of the Hawaii Strategic Development Corporation Revolving Fund. On the contrary, all moneys received by this fund, regardless of source, are used to support private organizations or individuals. Finally, the department stated that the auditor failed to recognize or ignored the fact that \$2,000,000 was received as a return on investment in FY2000 and that this distribution clearly fits the parameters of a revolving fund and could have supported operations for many subsequent years had it not been re-invested. This return on investment is, in fact, reflected in our report and included in the total revenues of \$2,006,000 reported for FY2000. Additionally, this amount would not be sufficient to cover many subsequent years of operations considering the fund's reported expenditures during FY2000 through FY2003 totaled \$12,323,000.

The department also provided additional information regarding the Hawaii Community-Based Economic Development Revolving Fund, but did not disagree with our conclusion that it does not meet all the criteria of a revolving fund.

The University of Hawaii did not disagree with any of our findings. The university did submit a detail of the corrective actions it plans to take in response to our findings. We have reviewed these corrective actions and they appear to be appropriate.

A point of clarification provided by the Department of Business, Economic Development, and Tourism was incorporated into our report.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

November 23, 2004

C O P Y

The Honorable Mark J. Bennett
Attorney General
Department of the Attorney General
Hale Auhau
425 Queen Street
Honolulu, Hawaii 96813

Dear Attorney General Bennett:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii*. We ask that you telephone us by Friday, November 26, 2004, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Friday, December 3, 2004.

The Department of Business, Economic Development, and Tourism, University of Hawaii, University of Hawaii Board of Regents, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

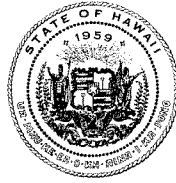
Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures

LINDA LINGLE
GOVERNOR



MARK J. BENNETT
ATTORNEY GENERAL

FIRST DEPUTY ATTORNEY GENERAL

STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
425 QUEEN STREET
HONOLULU, HAWAII 96813
(808) 586-1500

December 7, 2004

The Honorable Marion Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813

RECEIVED
DEC 7 10 35 AM '04
OFFICE OF THE AUDITOR
STATE OF HAWAII

Re: Review of revolving funds, trust funds, and trust
accounts of the Department of the Attorney General

Dear Ms. Higa:

Thank you for the opportunity to comment on your draft
report. We have reviewed the report carefully and provide the
following comments:

Antitrust Trust Fund

During the 2001 legislative session, the Legislature
established a new trust fund to be used for a limited category of
expenditures, namely expenditures relating to the enforcement of
the antitrust laws.

There is no question that initial funding for the trust
fund was general fund monies. However, it should be clearly
understood that the initial funding was a portion of the
Department of the Attorney General's general fund appropriation
for fiscal year 2000-2001.

Since its creation, the fund has grown as a result of
interest earned, as well as deposits consisting of not more than
10% of any antitrust judgment or settlement received by the
State.

The trust fund has and will continue to be an important
resource to aid in the enforcement of the antitrust laws. The
trust fund has provided a means for promoting and facilitating
the State's participation in multistate antitrust lawsuits and
investigations, and enhancing our enforcement efforts, *inter*
alia, by fostering training and education, as well as our working
relationship with other states.

Criminal Forfeiture Revolving Fund

The report on the Criminal Forfeiture Revolving Fund should read that the fund was created in 1988 not 1998. The report concludes with the statement, ". . . there is no clear, direct linkage between the benefit sought and charges made upon the users or beneficiaries of the program. As previously noted, this fund does not meet the four established criteria for a revolving fund." As then-Attorney General Earl Anzai noted in a February 16, 2000 letter in response to your 1999 audit (embodied in a February 2000 report), which made the same point: "It appears that you believe that the fund does not meet your linkage criteria. However, we believe that the fund meets this linkage criteria." We continue to hold to this view.

The Criminal Forfeiture Revolving Fund was established by specific legislation, section 712A-16 of the Hawaii Revised Statutes. The Legislature established it as a revolving fund and specified the purposes for which monies from the fund can be expended. We believe that there is a clear linkage between the benefits sought, i.e., crime reduction and deterrence, and the charges made, i.e., the forfeited property.

The original intent of the Hawaii Omnibus Criminal Forfeiture Act (chapter 712A of the Hawaii Revised Statutes) was to unify the procedures for criminal and civil forfeiture under a single chapter, to deter crime and make it unprofitable for the criminal by taking away the means for committing the crime and the profits of the crime, and to allow law enforcement to use forfeiture proceeds to supplement its efforts to fight crime. (See SSCR No. 2731 & HSCR No. 409-96.)

The Legislature found that forfeitures serve as an "immediate deterrent" against future illegal activity involving the forfeited assets or preclude further enjoyment of the forfeited assets and aid in the war against drugs. The beneficiary of this program is the society at large, and that society includes criminals whose properties have been forfeited.

The original intent and purpose of the Criminal Forfeiture Revolving Fund was to account for a charge of 50% against statewide forfeitures and to use the proceeds for the following:

1. Pay any operating expenses of the forfeiture program;
2. Pay awards for information or assistance leading to civil or criminal proceedings;

3. Pay supplemental sums to state and county agencies for law enforcement purposes; and
4. Pay expenses for training and education for law enforcement officers.

There is a clear link here between the benefit sought and the charges assessed. The program was intended to improve the criminal justice system by fighting and deterring crime and enhancing law enforcement's ability to investigate crime. As Attorney General Anzai noted in 2000: "The program is funded by criminal forfeitures, which are really charges assessed on the criminals, who are 'users' of the criminal justice system." We believe that the fund comports with the definition of a revolving fund and satisfies the criteria that you are required to apply.

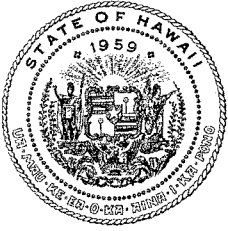
Finally, we will be submitting a request to the State Comptroller to delete the Advanced Health Care Directive Revolving Fund and the Kamehameha Schools Litigation Temporary Deposit Trust Account from State's Financial Accounting and Management Information System.

Thank you for your consideration of this letter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'MJ/B', is written over the typed name.

Mark J. Bennett
Attorney General



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
STEVE BRETSCHNEIDER
DEPUTY DIRECTOR

Telephone: (808) 586-2355
Fax: (808) 586-2377

December 1, 2004

The Honorable Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, HI 96813

RECEIVED
DEC 2 8 46 AM '04
OFFICE OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Thank you for your letter dated November 23, 2004 requesting comments on the draft report, "Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii." We have reviewed Chapter 3 of the draft report which covers funds within the Department of Business, Economic Development, and Tourism and offer comments on the following revolving funds:

1. Hawaii Community-Based Economic Development Revolving Fund, Section 210D-4, HRS

Act 111, SLH 1990, and later Act 192, SLH 1996, codified as Chapter 210D, HRS established the Community-Based Economic Development (CBED) Program, the CBED Advisory Council, and the CBED Revolving Fund within the Department of Business, Economic Development & Tourism (DBEDT).

Through FY 2003, CBED's grant and loan revolving fund and technical assistance program has committed more than \$3,492,350 to more than 148 community-based organizations (CBOs) statewide. Close to 77 percent of program funds were distributed to the Neighbor Islands.

In FY 2003, 5 CBOs received \$56,500 in CBED Program grants. This total was matched by an estimated \$627,000, resulting in over \$680,000 for economic development projects statewide. Since its inception, each dollar from the CBED Program has been matched by more than 11 dollars from over 30 different public, private and community financing sources. Also in FY 2003, the CBED Program co-sponsored approximately seventeen (17) one and two day community-based organizational training workshops that

began in September 2002 through December 2003. Over 676 individuals representing more than 220 community organizations and agencies from all major islands attended training sessions to increase economic literacy. CBED's technical assistance helps to build and strengthen a CBO's capacity and skill level, while its financial assistance supports the development and implementation of community economic development projects. CBED remains essential for Hawaii's communities as it serves an implementing role in building new economic activities and assisting in the diversification of Hawaii's economy.

The most important observation/comment by the State Auditor in regards to the CBED Revolving Fund and Program should be: "The fund continues to serve the purpose for which it was created because its grants and loans support organizations involved in community-driven economic development activities."

In maintaining the CBED Revolving Fund, Hawaii's communities benefit because:

- It insures consistency in Program funding in both good and bad economic times.
- It insures that grant and loan funds not expended to community-based organizations are returned to assist more organizations in need of assistance.
- It enables the CBED program to be less dependent upon appropriations and availability of general funds to fulfill its mission.
- It assures community-based organizations financial and technical assistance when they need it.
- It allows the CBED Program greater flexibility and accountability in providing assistance.
- It insures that funds dedicated to community-based economic development are used and "leveraged" to the maximum level as intended.

The State Auditor's report states that "... it (the fund) does not demonstrate the ability to be financially self-sustaining." One major reason for this "inability" is that the fund, while well funded in its first couple of years (1991-1992), is not currently large enough and has not received significantly large infusions of capital to make *significant, impact* loans to community organizations that would return sufficient principal and interest to achieve sustainability. In addition, the costs for implementing community economic development projects have significantly increased since the early 1990's. Program management and CBED Advisory Council Members have agreed that in many cases (i.e., \$20,000 CBED grant to develop the Molokai Enterprise Community proposal to USDA resulting in an additional \$2.5 million in grant funds over 10 years and another \$16+ million in additional grants to the Molokai community), small seed grants may be more effective.

2. Hawaii Strategic Development Corporation Revolving Fund, Section 211F-5, HRS

The State Auditor's report defines a revolving fund as "a fund from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for goods or services or through transfers from other accounts or funds." The draft report also states that, "Between FY 2000 and FY 2003, the fund received infusions from the general fund and the Hawaii Capital Loan Revolving Fund. Until returns on the long-term investments are made, the fund does not demonstrate the capacity to be financially self-sustaining. Thus, the fund does not meet the criteria of a revolving fund."

DBEDT disagrees with the conclusion of the draft report: Nowhere in the definition of revolving funds in Section 37-62, HRS, as cited does it state that revolving funds must revolve on an annual basis. The draft report does not consider that some funds may revolve in three months, others annually, and in the case of the Hawaii Strategic Development Corporation (HSDC) it may take 10 years or longer.

Loan programs are cited in this report as being good examples of revolving funds. Throughout the broad spectrum of the financing industry there are micro-loans which may revolve in 60 days, there are loans which may be paid off within a year, and there are long-term mortgages which may have a term of 30 years. All of these "revolve," as does HSDC's fund, though its investment term is typically ten years. As the auditors were informed, the majority of HSDC's funds was committed only four years ago and thus may have another six years before completing a cycle. Because the fund doesn't revolve annually does not mean that "the fund does not meet the criteria of a revolving fund."

Further, per the revolving fund definition cited in this report, transfers from other revolving funds, such as the Hawaii Capital Loan Program, are deemed appropriate sources of funding. With respect to the infusion of general funds, the legislature mandated that HSDC be financed by general funds in FY 2004-05 due to state-wide cost cutting measures and draining of many special and revolving funds. The agency could have preserved funds and managed operations for a long period of time and not require additional funding, but the revolving fund is being utilized to meet its purpose of assisting businesses, training entrepreneurs, and attracting private sector investment.

The following comments from the draft report that "Between FY 2000 to FY 2003 the fund received infusions from the general fund and the Hawaii Capital Loan Program," indicate that the auditors fail to recognize or ignore the fact that the amount of \$2,000,000.00 (Two million dollars) was received as a return on investment from one of HSDC's funds in FY 2000. See attachment. This distribution, or return of capital, clearly fits the parameters of what this report defines as a revolving fund, as do transfers from other accounts or funds. This distribution could have supported program operations for many years, but HSDC has preferred to re-invest its revolving fund as allowed under

The Honorable Marion M. Higa
December 1, 2004
Page 4

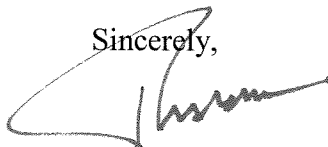
its enabling statute to further support technology start-up firms and expand Hawaii's economic diversification efforts.

Accordingly, it is our strong belief that the HSDC revolving fund meets stated criteria of being established with an appropriation of seed money from the general fund. The revolving fund is used for investments into for-profit venture capital limited partnerships. Returns to HSDC may take place over a long term, but nevertheless, the fund has received and will continue to receive distributions from its partnership investments.

We request that your draft be re-stated with respect to HSDC, to recognize that some revolving funds may revolve over a long period of time and just because they do not revolve on a twelve month basis does not mean that they do not meet the criteria of a revolving fund.

If you require additional information, please call Ken Kitamura, Administrative Services Officer, at 586-2433. Thank you for the opportunity to provide these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Theodore E. Liu', with a large, sweeping initial 'T'.

Theodore E. Liu

TEL:wwy
Attachment



MAIN BRANCH, HONOLULU, HAWAII

No. 01073 59-102/1213

February 8, 2000 ~~xx~~

PAY TO THE ORDER OF Hawaii Strategic Development Corporation \$ 2,000,000.00

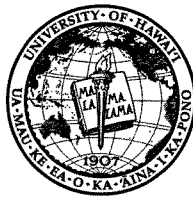
* * Two Million and no/100 * * DOLLARS

HMS INVESTMENTS
DAVIES PACIFIC CENTER
841 BISHOP ST. SUITE #806
HONOLULU, HAWAII 96813

For Fund distribution-return of capital

Robert K. Ruckelshaus

P-118



UNIVERSITY OF HAWAII

David McClain
Interim President

December 2, 2004

Ms. Marion Higa
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

RECEIVED
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OFF. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

I am writing in response to your letter of November 23, 2004 inviting comments on the confidential draft report, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Department of the Attorney General, the Department of Business, Economic Development, and Tourism, and the University of Hawaii.*

A summary of action the University intends to take in response to findings contained in the draft report follow:

Finding: Animal Research Farm, Waialeale, Oahu Revolving Fund, Sec. 304-8.5, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, agricultural research technicians' salaries are paid with general funds.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds.

Finding: Child Care Programs Revolving Fund, Sec. 304-8.91, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, teaching & administrative personnel are paid with general funds.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds.

Finding: Conference Center Revolving Fund, UH Hilo, Section 304-8.945, HRS - no assessment provided as there is no activity yet.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds.

Finding: Discoveries and Inventions Revolving Fund, Section 304-8.92, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, transfers were received from the general fund and Research & Training Revolving Fund for personnel and general operating costs.

Corrective Action: To be retained. Goal is to be self-sustaining within 3 years.

Finding: International Exchange Health Care Tourism Revolving Fund, Section 304-68.5, HRS - this fund was never implemented or utilized and should be repealed.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds

Finding: Research and Training Revolving Fund, Section 304-8.1, HRS - does not meet the criteria of a revolving fund as there is no direct link between the benefits sought and charges made upon users. Revenues are reimbursements for indirect overhead costs that are not attributable to a specific grant, contract, or coop agreement.

Corrective Action: To be retained. To be added to UOH-06 for reclassification as a "special fund."

Finding: Seed Distribution Program Revolving Fund, Section 304-77 and Section 150-41, HRS - appears to meet criteria of revolving fund if all administrative costs are paid for using seed revenues.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds.

Finding: Student Health Center Revolving Fund, Section 304-8.2, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, administrative costs are paid with general funds. We note that a business plan has been developed to achieve self- sustainability by FY2009.

Corrective Action: To be retained. Goal is to be self-sustaining by 2009 or sooner.

Finding: University of Hawaii Alumni Revolving Fund, Section 304-8.97, HRS - does not meet criteria of a revolving fund and should be repealed as the fund does not meet its original purpose, which is to receive proceeds from UH alumni activities and alumni donations to be used for costs associated with conducting alumni affairs, activities, and programs. Currently, proceeds are received only from sale of advertising space in UH's alumni magazine and used to produce the magazine.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds.

Finding: University of Hawaii at Hilo Intercollegiate Athletics Revolving Fund, Section 304-8. 7, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, personnel costs are funded through general fund appropriations.

Corrective Action: To be retained. To be added to UOH-06 for reclassification as a "special fund."

Finding: University of Hawaii at Manoa Intercollegiate Athletics Revolving Fund, Section 304- 8.7, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, payroll costs are paid with general funds.

Corrective Action: To be retained. To be added to UOH-06 for reclassification as a "special fund."

Ms. Marion Higa
December 2, 2004
Page 3

Finding: University of Hawaii Graduate Application Revolving Fund, Section 304-8.98, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, payroll costs are paid with general funds.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds

Finding: University of Hawaii Housing Assistance Revolving Fund, Section 304-8.96, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, Revenues are not sufficient to cover expenditures and it has received infusions from the Research Training Revolving Fund.

Corrective Action: To be retained. To be added to UOH-06 for reclassification as a "special fund."

Finding: University of Hawaii-Hilo Theatre Revolving Fund, Section 304-8.946, HRS - does not meet criteria of a revolving fund as fund is not self-sustaining, payroll costs are paid with general funds.

Corrective Action: To be repealed per UOH-06 Consolidation of Special Funds

Finding: University Parking Revolving Fund - UH Community Colleges, Section 308-2, HRS - does not meet criteria of a revolving fund as it does not serve its original purpose. Activity was consolidated into the Community College Special Fund. This fund should be repealed.

Corrective Action: To be added to UOH-06 for repeal.

Finding: University of Hawaii Intercollegiate Athletics Scholarships Manoa, Administratively Established - does not meet criteria of a trust fund as fund is not self-sustaining, expenditures exceeds revenues.

Corrective Action: This fund is technically an account within the "University of Hawaii Gifts and Donations Trust Funds" and will not be reported as a separate fund in the future.

Enclosed for your reference is a copy of the University's proposed fund consolidation bill UOH-06. We intend to amend this bill to address some of the findings contained in the review.

Thank you for the opportunity to comment on the draft report. Please feel free to contact Sam Callejo at 956-9922 if there are any questions.

Sincerely,



David McClain
Interim President

Enclosure

c: Sam Callejo
David Morihara
Russell Miyake

____.B. NO.____

A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII SPECIAL AND REVOLVING FUNDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 304, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 to read as follows:

4 "§304- University of Hawaii at manoa special fund. (a)
5 Section 304-8 notwithstanding, there is hereby created a special
6 fund to receive, disburse, and account for funds of programs and
7 activities of the university of Hawaii at manoa, including but
8 not limited to off-campus programs, summer session programs,
9 overseas programs, evening sessions, study abroad, exchange
10 programs, cultural enrichment programs, and consultative services
11 which help make available the resources of the university of
12 Hawaii at manoa to the communities they serve.

13 (b) The special fund may include deposits from:

14 (1) The university of Hawaii tuition and fees special fund
15 as established in section 304-16.5;

16 (2) Fees, fines and other money collected for:

17 (A) Transcript and diploma;

____.B. NO. _____

- 1 (B) Library;
- 2 (C) Facility use;
- 3 (D) Child care;
- 4 (E) Auxiliary enterprises;
- 5 (F) Alumni;
- 6 (G) Conferences and Seminars;
- 7 (H) Parking; and
- 8 (I) Other activities related to the university of
- 9 Hawaii at manoa.

10 (c) The chancellor of the university of Hawaii at manoa
 11 campus or a designee is authorized to expend funds from the
 12 appropriate account in the special fund for all costs associated
 13 with the activities and programs of the university of Hawaii at
 14 manoa including but not limited to, conducting conferences,
 15 seminars and courses, expenses for honoraria, hotel and room
 16 rentals, food and refreshment, printing and mailing, airfare and
 17 per diem, leis, rental of audio visual equipment, and conference
 18 supplies and materials."

19 SECTION 2. Chapter 304, Hawaii Revised Statutes, is
 20 amended by adding a new section to be appropriately designated
 21 to read as follows:

22 "§304- University of Hawaii at hilo special fund. (a)
 23 Section 304-8 notwithstanding, there is hereby created a special

____.B. NO. _____

1 fund to receive, disburse, and account for funds of programs and
2 activities of the university of Hawaii at hilo, including but
3 not limited to off-campus programs, summer session programs,
4 overseas programs, evening sessions, study abroad, exchange
5 programs, cultural enrichment programs, and consultative
6 services which help make available the resources of the
7 university of Hawaii at hilo to the communities they serve.

8 (b) The special fund may include deposits from:

9 (1) The university of Hawaii tuition and fees special fund
10 as established in section 304-16.5;

11 (2) Tuition, fees, and charges for affiliated
12 instructional,
13 training, and public service courses and programs; and

14 (3) Fees, fines and other money collected for:

15 (A) Student health;

16 (B) Transcript and diploma;

17 (C) Library;

18 (D) Facility use;

19 (E) Child care;

20 (F) Auxiliary enterprises;

21 (G) Alumni;

22 (H) Conferences and Seminars;

23 (I) Parking;

____.B. NO. _____

- 1 (J) Hawaiian language material;
2 (K) The university of Hawaii at hilo theatre program;
3 and
4 (L) Other activities related to the university of
5 Hawaii at hilo.

6 (c) The chancellor of the university of Hawaii at hilo
7 campus or a designee is authorized to expend funds from the
8 appropriate account in the special fund for all costs associated
9 with the activities and programs of the university of Hawaii at
10 hilo, including but not limited to, conducting conferences,
11 seminars and courses, expenses for honoraria, hotel and room
12 rentals, food and refreshment, printing and mailing, airfare and
13 per diem, leis, rental of audio visual equipment, and conference
14 supplies and materials."

15
16 SECTION 3. Chapter 304, Hawaii Revised Statutes, is amended
17 by adding a new section to be appropriately designated to read as
18 follows:

19 "§304- University of Hawaii-west oahu special fund. (a)
20 Section 304-8 notwithstanding, there is hereby created a special
21 fund to receive, disburse, and account for funds of programs and
22 activities of the university of Hawaii-west oahu, including but
23 not limited to off-campus programs, summer session programs,

____.B. NO. _____

1 overseas programs, evening sessions, study abroad, exchange
2 programs, cultural enrichment programs, and consultative services
3 which help make available the resources of the university of
4 Hawaii-west oahu to the communities they serve.

5 (b) The special fund may include deposits from:

6 (1) The university of Hawaii tuition and fees special fund
7 as established in section 304-16.5;

8 (2) Tuition, fees, and charges for affiliated
9 instructional, training, and public service courses and
10 programs; and

11 (3) Fees, fines and other money collected for:

12 (A) Student health;

13 (B) Transcript and diploma;

14 (C) Library;

15 (D) Facility use;

16 (E) Child care;

17 (F) Auxiliary enterprises;

18 (G) Alumni;

19 (H) Conferences and Seminars;

20 (I) Parking; and

21 (J) Other activities related to the university of

22 Hawaii-west oahu.

1 (c) The chancellor of the university of Hawaii-west oahu
2 campus or a designee is authorized to expend funds from the
3 appropriate account in the special fund for all costs associated
4 with the activities and programs of the university of Hawaii-
5 west oahu, including but not limited to, conducting conferences,
6 seminars and courses, expenses for honoraria, hotel and room
7 rentals, food and refreshment, printing and mailing, airfare and
8 per diem, leis, rental of audio visual equipment, and conference
9 supplies and materials."

10 SECTION 4. Chapter 304, Hawaii Revised Statutes, is amended
11 by adding a new section to be appropriately designated to read as
12 follows:

13 "§304- University of Hawaii systemwide support
14 revolving fund, established. (a) Notwithstanding any law to
15 the contrary, for the purpose of meeting certain operating costs
16 of the University of Hawaii system as provided in subsection
17 (c), the University of Hawaii may impose assessments against, or
18 transfer revenues from the short-term investment of cash from,
19 any special or revolving fund established under this chapter.

20 (b) There is established a University of Hawaii systemwide
21 support revolving fund into which shall be deposited:

22 (1) Legislative appropriations;

23 (2) Assessments collected pursuant to subsection (a); and

____.B. NO. _____

1 (3) revenues from the short term investment of cash

2 transferred pursuant to subsection (a).

3 (c) Revenues deposited into this fund shall be expended

4 for operating costs incurred by one or more campus or major

5 unit of the University of Hawaii system, including but not

6 limited to the payment of judgements and settlements,

7 financial audits, accreditation fees, dues for

8 institutional membership, publications, training and staff

9 development activities, improvements in information

10 technology and such other costs that are necessary for the

11 maintenance or improvement of the University system's

12 operation.

13 (d) Pursuant to §304-8(b), the University shall submit an

14 annual report to the Legislature on all income and expenditures

15 of this fund, including all assessments and transfers pursuant

16 to subsection (a)."

17 SECTION 5. Section 304-1.5, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "§304-1.5 University of Hawaii-west oahu development special
20 fund. (a) There is established within the treasury of the State a
21 special fund to be known as the University of Hawaii-west oahu
22 development special fund. The proceeds of the special fund shall
23 be used for the following purposes:

____.B. NO. _____

(1) Planning, land acquisition, design, construction, and equipment necessary for the development of the permanent campus of the University of Hawaii-west oahu in Kapolei; and

(2) Planning, land acquisition, design, improvement, and construction of infrastructure and other public or common facilities necessary for the development of the permanent campus of the University of Hawaii-west oahu in Kapolei.

(b) The following shall be deposited into the special fund:

(1) Appropriations by the legislature to the special fund;

(2) All net proceeds from the sale of public lands, all net rents from leases, licenses, and permits, or all net proceeds derived from development rights for public lands:

(A) Proposed for large lot subdivision as a five hundred acre parcel and designated as Lot 10077 in Land Court Application 1069; and

(B) Obtained from Campbell Estate in the land exchange described in [section 2 of Act 294, Session Laws of Hawaii 1996,] located mauka of the H-1 Freeway and consisting of nine hundred forty-one acres, more or less; and

____.B. NO. _____

1 (3) Interest earned or accrued on moneys in the special
2 fund.

3 (c) The fund shall be managed by the University of Hawaii,
4 which shall also make expenditures from the fund.

5 (d) Notwithstanding any other law to the contrary, no
6 moneys from the special fund may be expended for any purposes
7 other than the purposes set forth herein unless otherwise
8 approved by the legislature."

9 SECTION 6. Section 304-8.41, Hawaii Revised Statutes, is
10 amended by amending subsection (c) to read as follows:

11 "(c) Any law to the contrary notwithstanding, [~~from July 1,~~
12 ~~2001, to June 30, 2004,~~] the university may transfer all funds at
13 its disposal, with the exception of general funds, into this
14 revolving fund to finance the establishment of new enterprises."

15 SECTION 7. Section 305-4, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "§305-4 Community colleges special fund. (a) Section 304-8
18 notwithstanding, there is hereby created a special fund to
19 receive, disburse, and account for funds of [~~special~~] programs
20 and activities of the community colleges, including but not
21 limited to off-campus programs, summer session programs, overseas
22 programs, evening sessions, study abroad, exchange programs,
23 cultural enrichment programs, and consultative services which

____.B. NO. _____

1 help make available the resources of the community colleges to
2 the communities they serve.

3 (b) The special fund may include deposits from:

4 (1) The university of Hawaii tuition and fees special fund
5 as established in section 304-16.5;

6 (2) Tuition, fees, and charges for affiliated
7 instructional, training, and public service courses and
8 programs; and

9 (3) Fees, fines and other money collected [paid] for:

10 (A) Student health;

11 (B) Transcript and diploma;

12 (C) Library;

13 (D) Facility use;

14 (E) Child care;

15 (F) Auxiliary enterprises;

16 (G) Alumni; [and]

17 (H) Conferences and Seminars;

18 (I) Parking; and

19 [(H)] (J) Other [related] activities related to the
20 community colleges.

21 (c) The chancellor of each community college or a designee
22 is authorized to expend funds from the appropriate account in the
23 special fund for all costs associated with the activities and

____.B. NO. _____

1 programs of the university of Hawaii community colleges,
2 including but not limited to, conducting conferences, seminars
3 and courses, expenses for honoraria, hotel and room rentals, food
4 and refreshment, printing and mailing, airfare and per diem,
5 leis, rental of audio visual equipment, and conference supplies
6 and materials."

7 SECTION 8. Section 304-8.3, Hawaii Revised Statutes, is
8 repealed.

9 [~~"§304-8.3 Transcript and diploma revolving fund. There is~~
10 ~~established a revolving fund for transcripts and diplomas which~~
11 ~~shall be used to defray the cost of transcripts and diplomas and~~
12 ~~which shall be replenished through charges made for transcripts~~
13 ~~and diplomas or through transfers from other accounts or~~
14 ~~funds."~~]

15 SECTION 9. Section 304-8.4, Hawaii Revised Statutes, is
16 repealed.

17 [~~"§304-8.4 Vocational and technical training projects~~
18 ~~revolving fund. There is established a revolving fund for the~~
19 ~~vocational and technical training projects of the community~~
20 ~~colleges and the University of Hawaii at Hilo into which shall be~~
21 ~~deposited the receipts from fees for services, supplies, and use~~
22 ~~of equipment provided by or in connection with these projects.~~
23 ~~Funds deposited in this account shall be expended for vocational~~

1 ~~and technical training projects, and supplies, equipment, and~~
2 ~~services related thereto.~~

3 ~~The University of Hawaii at Hilo shall report as of the~~
4 ~~close of each fiscal year to the governor and the legislature on~~
5 ~~the revolving fund's revenues and expenditures for the reported~~
6 ~~year. These reports shall be submitted not later than twenty days~~
7 ~~prior to the convening of each regular session."]~~

8 SECTION 10. Section 304-8.5, Hawaii Revised Statutes, is
9 repealed.

10 [~~"§304-8.5 Animal research farm, Waialeale, Oahu revolving~~
11 ~~fund. There is established a revolving fund for the animal~~
12 ~~research farm, Waialeale, Oahu, operated by the college of~~
13 ~~tropical agriculture and human resources, University of Hawaii,~~
14 ~~into which shall be deposited the receipts from fees realized~~
15 ~~from the sale of livestock, services, and supplies. Funds~~
16 ~~deposited in this account shall be expended for animal research,~~
17 ~~and services and supplies related thereto."]~~

18 SECTION 11. Section 304-8.91, Hawaii Revised Statutes, is
19 repealed.

20 [~~"§304-8.91 Child care programs revolving fund. There is~~
21 ~~established a child care programs revolving fund for the~~
22 ~~operation of child care programs and the construction and~~
23 ~~renovation of child care centers established by the University~~

1 ~~of Hawaii. Fees charged for child care at child care programs,~~
2 ~~proceeds from donations to the university for child care~~
3 ~~programs, and proceeds from loans or other instruments of~~
4 ~~indebtedness for the construction or renovation of child care~~
5 ~~centers, shall be deposited into the revolving fund.~~

6 ~~Expenditures from the revolving fund shall be made for the~~
7 ~~operation of child care programs and payment of principal and~~
8 ~~interest on obligations incurred for the construction or~~
9 ~~renovation of child care centers."]~~

10 SECTION 12. Section 304-8.93, Hawaii Revised Statutes, is
11 repealed.

12 [~~"§304-8.93 Library special fund. There is established a~~
13 ~~special fund for the libraries of the University of Hawaii into~~
14 ~~which shall be deposited all fines, fees, and other revenue~~
15 ~~derived from the libraries' operations. Moneys deposited in this~~
16 ~~fund may be expended to replace or repair lost, damaged, stolen,~~
17 ~~or outdated books, serials, and periodicals, or to support and~~
18 ~~improve the services provided by the libraries. The amounts~~
19 ~~allocated to each campus library from the special fund shall be~~
20 ~~proportionate to the amount of revenues generated by each~~
21 ~~library."]~~

22 SECTION 13. Section 304-8.94, Hawaii Revised Statutes, is
23 repealed.

____.B. NO. _____

1 ~~["§304-8.94 Conference center revolving fund. There is~~
2 ~~established a revolving fund for the conference center program~~
3 ~~in the college of continuing education and community service of~~
4 ~~the University of Hawaii, Manoa campus. All fees, charges, and~~
5 ~~other moneys collected in conjunction with the conference center~~
6 ~~program shall be deposited in the revolving fund. The dean of~~
7 ~~the college of continuing education and community service is~~
8 ~~authorized to expend funds from the revolving fund for all costs~~
9 ~~associated with conducting conferences, seminars, and courses by~~
10 ~~the conference center program, including but not limited to,~~
11 ~~expenses for honoraria, hotel and room rentals, food and~~
12 ~~refreshment, printing and mailing, airfare and per diem, leis,~~
13 ~~rental of audio visual equipment, and conference supplies and~~
14 ~~materials, without regard to chapter 103D and section 103-42."]~~

15 SECTION 14. Section 304-8.945, Hawaii Revised Statutes, is
16 repealed.

17 ~~["§304-8.945 Conference center revolving fund for Hilo~~
18 ~~campus. (a) As used in this section, "dean" means the dean of the~~
19 ~~college of continuing education and community service. There is~~
20 ~~established a revolving fund for the conference center program in~~
21 ~~the college of continuing education and community service of the~~
22 ~~University of Hawaii, Hilo campus. All fees, charges, and other~~
23 ~~moneys collected in conjunction with the conference center~~

1 ~~program shall be deposited in the revolving fund. The dean is~~
2 ~~authorized to expend funds from the revolving fund for all costs~~
3 ~~associated with conducting conferences, seminars, and courses by~~
4 ~~the conference center program, including but not limited to,~~
5 ~~expenses for honoraria, hotel and room rentals, food and~~
6 ~~refreshment, printing and mailing, airfare and per diem, leis,~~
7 ~~rental of audio visual equipment, and conference supplies and~~
8 ~~materials, without regard to sections 103-22 and 103-42.~~

9 ~~(b) The dean shall prepare an annual report to the~~
10 ~~legislature accounting for all income and expenditures of the~~
11 ~~revolving fund."]~~

12 SECTION 15. Section 304-8.946, Hawaii Revised Statutes, is
13 repealed.

14 [~~"§304-8.946 University of Hawaii Hilo theatre revolving~~
15 ~~fund. There is created within the state treasury a University of~~
16 ~~Hawaii Hilo theatre revolving fund, which shall consist of~~
17 ~~admissions, advertising sales, corporate sponsorships,~~
18 ~~marketing, merchandising, donations, fund raising, fees,~~
19 ~~charges, and other moneys collected in conjunction with the~~
20 ~~University of Hawaii Hilo theatre program. The revolving fund~~
21 ~~shall be administered by the office of administrative affairs of~~
22 ~~the University of Hawaii Hilo. Funds may be expended for all~~
23 ~~costs associated with the theatre program, including artists'~~

1 ~~fees, production costs, personnel costs, honoraria, per diem,~~
2 ~~hotel and room rentals, food and refreshments, printing and~~
3 ~~mailing, advertising, airfare, leis, rental or purchase of~~
4 ~~equipment, and theater supplies and materials."]~~

5 SECTION 16. Section 304-8.955, Hawaii Revised Statutes, is
6 repealed.

7 [~~"§304-8.955 University of Hawaii community services special~~
8 ~~fund. (a) There is established the University of Hawaii community~~
9 ~~services special fund. Except as otherwise provided by law, all~~
10 ~~revenues, including interest, derived and collected from the~~
11 ~~university's provision of public service programs shall be~~
12 ~~deposited into the University of Hawaii community services~~
13 ~~special fund. The university may establish and collect fees and~~
14 ~~charges for public service programs. All revenues deposited into~~
15 ~~the University of Hawaii community services special fund shall be~~
16 ~~used exclusively for the costs of providing public service~~
17 ~~programs. The university may establish accounts under the~~
18 ~~community services special fund to facilitate the administration~~
19 ~~of this fund among the various campuses and operating units of~~
20 ~~the University of Hawaii system. All expenditures from this fund~~
21 ~~shall be subject to legislative appropriation.~~

22 ~~(b) As used in this section, "public service programs"~~
23 ~~means:~~

____.B. NO. _____

1 ~~(1) Noncredit educational programs in professional~~
2 ~~development and training, personal growth, and cultural~~
3 ~~enrichment, and~~

4 ~~(2) Cooperative extension and consultative services."]~~

5 SECTION 17. Section 304-8.97, Hawaii Revised Statutes, is
6 repealed.

7 ~~["§304-8.97 University of Hawaii alumni revolving fund.~~

8 ~~There is established a revolving fund to be known as the~~
9 ~~University of Hawaii alumni revolving fund, into which shall be~~
10 ~~deposited funds and proceeds received by the university from~~
11 ~~alumni activities and donations from alumni. Funds deposited into~~
12 ~~this account may be expended by the university for all costs~~
13 ~~associated with conducting alumni affairs activities and programs~~
14 ~~for the university system, including but not limited to expenses~~
15 ~~for honoraria, hotel and room rentals, food and refreshment,~~
16 ~~printing and mailing, banners and signs, plaques and awards,~~
17 ~~airfare and per diem, leis, rental of audio visual, musical and~~
18 ~~stage equipment, and activity supplies and materials, without~~
19 ~~regard to statutory competitive bidding requirements."]~~

20 SECTION 18. Section 304-8.98, Hawaii Revised Statutes, is
21 repealed.

22 ~~["§304-8.98 University of Hawaii graduate application~~
23 ~~revolving fund. There is established a University of Hawaii~~

____.B. NO. _____

1 ~~graduate application revolving fund for graduate program~~
2 ~~application processing. The board of regents may establish~~
3 ~~appropriate charges for application processing. The revenues from~~
4 ~~such charges shall be deposited into this revolving fund and be~~
5 ~~used to pay the costs of processing applications to all graduate~~
6 ~~programs."]~~

7 SECTION 19. Section 304-68.5, Hawaii Revised Statutes, is
8 repealed.

9 ~~["§304-68.5 International exchange health care tourism~~
10 ~~revolving fund. (a) There is established a revolving fund for the~~
11 ~~international exchange of health care tourism program into which~~
12 ~~shall be deposited all donations, gifts, contributions,~~
13 ~~legislative appropriations, and moneys generated by the program~~
14 ~~through education, training, and research contracts and grants.~~
15 ~~Moneys deposited into this fund for the school of medicine and~~
16 ~~the school of nursing shall be divided into separate accounts for~~
17 ~~each school, provided that moneys not designated for use by a~~
18 ~~particular school shall be divided equally. Moneys shall be~~
19 ~~expended from each account by the school of medicine and the~~
20 ~~school of nursing, for student aid, training projects, teaching,~~
21 ~~supplies, services, and activities related to the development and~~
22 ~~promotion of the health related tourism education program.~~

1 ~~(b) The deans of the school of medicine and the school of~~
2 ~~nursing shall jointly prepare and submit an annual report to the~~
3 ~~legislature accounting for all income and expenditures of the~~
4 ~~revolving fund.~~

5 ~~(c) All unexpended and unencumbered moneys appropriated by~~
6 ~~the legislature remaining in the fund at the close of each fiscal~~
7 ~~year which are deemed, by the director of finance, to be in~~
8 ~~excess of the moneys necessary to carry out the purposes of this~~
9 ~~section over the next following fiscal year shall lapse to the~~
10 ~~credit of the state general fund."]~~

11 SECTION 20. Section 304-77, Hawaii Revised Statutes, is
12 repealed.

13 ~~["§304-77 Seed distribution program; revolving fund. There~~
14 ~~is established a revolving fund, the purpose of which shall be to~~
15 ~~enable the seed distribution program to operate at a level that~~
16 ~~will adequately meet the demand for seed. The fund shall be used~~
17 ~~for the cultivation and production of seeds and for research and~~
18 ~~developmental purposes directly related to cultivation and~~
19 ~~production. The fund shall be administered by the college of~~
20 ~~tropical agriculture and human resources of the University of~~
21 ~~Hawaii. All sums withdrawn from the fund shall be reimbursed or~~
22 ~~restored from the proceeds realized through the sale of seeds."]~~

1 SECTION 21. Section 304-112, Hawaii Revised Statutes, is
2 repealed.

3 ~~["§304-112 Western governors university special fund. There~~
4 ~~is established in the treasury of the State a Western Governors~~
5 ~~University special fund into which shall be deposited all~~
6 ~~revenues derived from the State's participation in the Western~~
7 ~~Governors University, except University of Hawaii income from~~
8 ~~regular credit tuition and tuition related course and fee charges~~
9 ~~to students. The fund shall be administered by the board of~~
10 ~~regents of the University of Hawaii and shall be used for the~~
11 ~~State's membership and participation in the Western Governors~~
12 ~~University. The special fund shall not be subject to sections 36-~~
13 ~~27 and 36-30 relating to special fund reimbursements to the state~~
14 ~~general fund."]~~

15 SECTION 22. Section 305-5, Hawaii Revised Statutes, is
16 repealed.

17 ~~["§305-5 Community college conference center revolving fund.~~
18 ~~(a) There is established a revolving fund for conference center~~
19 ~~programs conducted by the various community colleges. All fees,~~
20 ~~charges, and other moneys collected in conjunction with the~~
21 ~~conference center programs of each community college shall be~~
22 ~~deposited in separate accounts within the revolving fund. The~~
23 ~~provost of each college or a designee is authorized to expend~~

____.B. NO. _____

1 ~~funds from the appropriate account in the revolving fund for all~~
2 ~~costs associated with conducting conferences, seminars, and~~
3 ~~courses by the conference center programs, including but not be~~
4 ~~limited to, expenses for honoraria, hotel and room rentals, food~~
5 ~~and refreshment, printing and mailing, airfare and per diem,~~
6 ~~leis, rental of audio visual equipment, and conference supplies~~
7 ~~and materials, without regard to section 103-42 and any~~
8 ~~competitive bidding requirements pursuant to state procurement~~
9 ~~requirements.~~

10 ~~(b) The provosts of the community colleges shall prepare an~~
11 ~~annual report to the legislature accounting for all income and~~
12 ~~expenditures of each separate account within the revolving~~
13 ~~fund."]~~

14 SECTION 23. All fund balances remaining unencumbered and
15 unexpended as of June 30, 2005 in the student health center
16 revolving fund, transcript and diploma revolving fund, vocational
17 and technical training projects revolving fund, animal research
18 farm, Waialeale, Oahu revolving fund, child care programs revolving
19 fund, library special fund, conference center revolving fund,
20 conference center revolving fund for Hilo campus, University of
21 Hawaii Hilo theatre revolving fund, University of Hawaii
22 community services special fund, University of Hawaii Alumni
23 revolving fund, University of Hawaii graduate application

.B. NO.

1 revolving fund, international exchange health care tourism
2 revolving fund, seed distribution program revolving fund, western
3 governors university special fund, community college conference
4 center revolving fund, shall be transferred to the credit of the
5 University of Hawaii at manoa special fund, University of Hawaii
6 at hilo special fund, University of Hawaii system consolidated
7 special fund, and University of Hawaii-west oahu special as
8 established in sections 1, 2, 3, and 4 of this Act, the community
9 colleges special fund established under section 305-4, or the
10 University of Hawaii tuition and fees special funds as
11 appropriate.

12 SECTION 27. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 28. This Act shall take effect upon its approval
15 provided that Sections 1-8 shall take effect on July 1, 2005 and
16 Sections 9-25 shall take effect on July 1, 2006.

17

18

INTRODUCED BY: _____

BY REQUEST